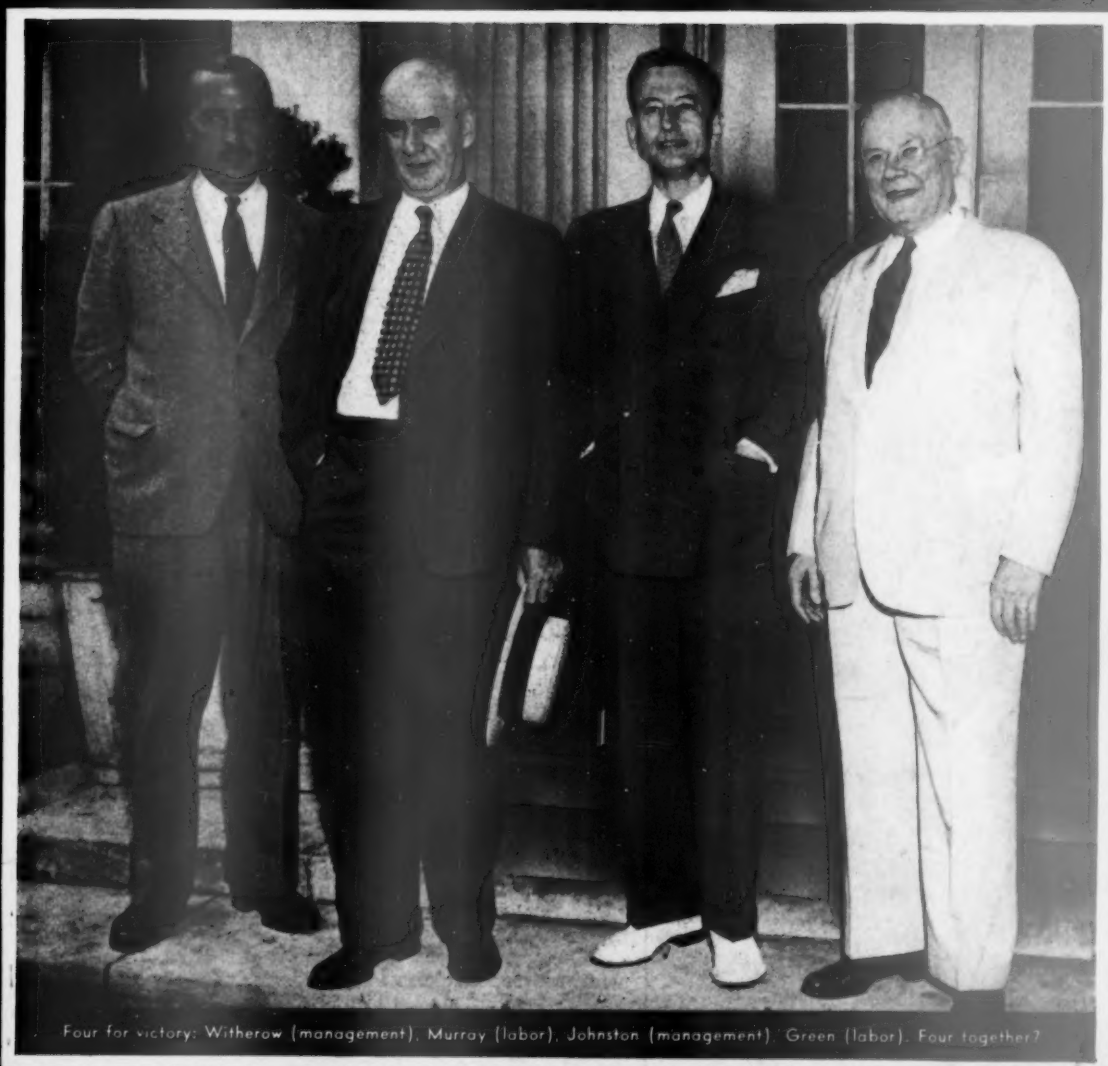


BUSINESS WEEK



Four for victory: Witherow (management), Murray (labor), Johnston (management), Green (labor). Four together?

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Cap. 2



BLAZING THE WAY TO FASTER PRODUCTION

AS EASILY as a knife cuts through pancakes, this white-hot oxy-acetylene flame zips through stacks of steel plates... turning out metal parts in a fraction of the time required by other methods.

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Stack-cutting is only one of the many oxy-acetylene processes for cutting, fabricating, and treating metals which manufacturers are using to speed up production today. Whether cutting up scrap...or skinning steel alive by planing a light cut from the four sides of steel blooms as they speed down the roll table...or helping to shape and weld finished steel...the oxy-acetylene flame is a tireless worker in modern manufacturing.

Would you like to know how flame-cutting and other oxy-acetylene processes could be applied to your business? You are cordially invited to avail yourself of the store of knowledge Linde technicians have assembled over a long period of years.

The important developments in flame-cutting—and other processes and methods for producing, fabricating, and treating metals—which have been made by The Linde Air Products Company were greatly facilitated by collaboration with Union Carbide and Carbon Research Laboratories, Inc., and by the metallurgical experience of Electro Metallurgical Company and Haynes Stellite Company—all Units of Union Carbide and Carbon Corporation.

THE LINDE AIR PRODUCTS COMPANY

Unit of Union Carbide and Carbon Corporation



GENERAL OFFICES: New York, N. Y.

OFFICES IN PRINCIPAL CITIES



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Treasury's nation-wide War Bond Pledge Campaign . . . 10% of current income is the goal. Do your part . . . re-figure your budget . . . spend *less* to buy *more* Bonds. Fight as hard with your dollars as American boys are fighting with their lives.

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NEW YORK





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WASHINGTON BULLETIN

WHAT THE WASHINGTON NEWS MEANS TO MANAGEMENT

Setting Inflation Control

When he decided to spare Congressmen the ordeal of stiff legislation to control prices and wages in election season, the President had no clear idea just what administrative action he might take instead. At mid-week, he still hadn't. Judge Samuel Rosenman's appearance at the White House was, as usual, a sign that Roosevelt was shopping around among the conflicting suggestions of his advisers.

Leon Henderson, the one man in Washington who puts control of inflation ahead of everything else, is demanding that legal means be found to put a rigid clamp on wages and prices. But Henderson doesn't pack the wallop he once did in Washington. Mishandling of rationing has reduced his prestige. And, anyway, most people are convinced he's fighting for a lost cause.

Judge Rosenman is talking to plenty of other people, and the final plan will bear little resemblance to Henderson's dreams.

Wage Policy Is Set

Key points in the forthcoming plan for inflation control are the handling of wages and of farm prices. The decision isn't definitely made yet, but here's what you should expect:

As far as wages are concerned, the war labor board's formula of allowing wage boosts of 15% above January, 1941, levels (BW-Jul.25'42,p80) will be the basis of administration policy. It will be somewhat strengthened—and a color of fresh action will be provided by a directive to all federal agencies that they be guided by it in considering wage policies of war contractors.

This would bring under some measure of control the "voluntary" wage increases on which NWLB now has no grip.

Room will nevertheless be left in the formula for such situations as the West Coast aircraft stabilization program where non-economic factors dictate increases beyond the formula.

NWLB Rides High

The War Labor Board today is in a stronger position than ever before. Several happenings have contributed to its present high standing:

(1) The Little Steel decision in which the 15% formula was set has now been accepted by both sides. This is just the sort of issue that wrecked the old Mediation Board. But this time C.I.O. was

sufficiently impressed by Presidential threats of legislation to accept half a loaf. And Inland Steel, left isolated by the other companies, withdrew its threats of suit with only face-saving murmurs about reserving the right to go to the courts.

(2) In the Remington-Rand decision, NWLB demonstrated that its wage policy can cut both ways, refused to grant the C.I.O. electrical and machine workers the 10¢-an-hour wage boost they requested. Arguing that the policy is non-inflationary, Dean Morse made good use of the contention advanced by the National Association of Manufacturers that employees in two-thirds of manufacturing industries have already had all the wage boosts coming to them.

(3) Internal unity on the board was greatly strengthened this week when employer members went back to voting for maintenance of membership provisions in the S. A. Woods Machine Co. case. Their demand that such awards be accompanied by financial reports from the unions is necessarily little more than a gesture, for the public members won't go along.

• **Going Up**—One big question mark about the Administration's wage policy remains: is there an escalator clause? The policy established by the Little Steel decision permits wage boosts to balance the Jan. 1, 1941—Apr. 27, 1942, cost-of-living increase. What is the attitude on price increases subsequent to Apr. 27?

Handling the Farmer

As far as control of farm prices is concerned, the President will remind Henderson that the present law permits him to put ceilings on most farm prices at 110% of parity, that a lot of prices are already that high. Concurrence of Secretary of Agriculture Wickard is required, and F. D. R. will see that this is forthcoming.

Policy will be to slap ceilings on farm goods as soon as they hit the 110-mark. In those cases where such a ceiling would interfere with the needed volume of production, Commodity Credit Corp. funds will be used to subsidize increased output.

Politics of the Program

Roosevelt will lead off the program with a fireside chat or message that will sound a lot tougher than the above. He will tell farmers that 100% of parity is all they ought to expect, will say something about no more wage boosts.

The speech will clinch the anti-inflation vote.

The performance will protect the farm and labor vote.

Renegotiating Contracts

It will be several weeks still before the War Department decides finally on policy and procedures for renegotiation of war contracts which smell of excessive profits (page 15).

Problem now is to work out the application of basic principles to the special situation facing each branch of the Service of Supply, but this involves such fundamental questions as whether to think in terms of a percentage of gross or percentage of a capital, whether to deal with individual contracts or total profit position of a firm.

Meanwhile, machinery is being set up. Price adjustment sections subordinate to the main War Department board are being formed in each branch and in the field offices of some branches. Signal Corps and Chemical Warfare will work entirely out of Washington; the Air Corps out of Wright Field; the Medical Corps out of New York and St. Louis. The Corps of Engineers, Ordnance, and Quartermaster will organize more or less autonomous price adjustment units in their field offices.

• **Centralized**—The Navy and Maritime Commission plan to renegotiate contracts entirely from Washington.

Crackdown on Sales Agents

Passage of the Vinson contingent fee bill looks pretty certain, but not in its present form, under which your salesmen couldn't sell pencils or carbon paper to the government on a commission basis without violating the law.

Intended to weed out "agents" and "sales engineers," the present language of the bill would outlaw many current business practices. In connection with a government contract of any sort, the bill makes it a criminal offense to pay a fee conditional upon procurement of the contract, or to give any compensation "the nature or amount of which is determined with reference to the number or amount of government contracts." Furthermore, an employer may not be represented before a government department by an ex-employee of that department, for a period of five years after his employment ends.

• **For Keeps**—The legislation, as now phrased, is a permanent affair—not a mere war stop-gap. It has passed the House, but prospects are that the Senate

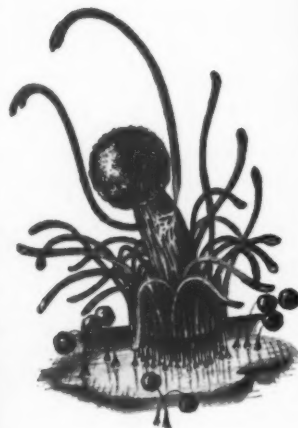
THE 3 SABOTEURS OF CANVAS ... HAVE MET THEIR WATERLOO



WATER . . . ducks may take to water . . . but repeated wettings are not good for canvas . . . shrinkage produces rips, etc.



FLAME . . . ordinary duck and canvas tents, awnings, tarpaulins, and what have you, are an ever present Fire Hazard.



ROT . . . the fungi of mildew-mold shortens the vital life of canvas.

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PHIL-PRO-TEX

**REPELS
WATER · FLAME · ROT**

will polish up the hastily-written measure. However, it's tough for businessmen to make suggestions about changes that would preserve normal business practices, because Congress is wrought up over war graft.

Cut in Steel Expansion

Reduction in the steel program simply means that a gleam in the War Production Board's eye has faded. No projects actually under way are being halted. And there's still substantial expansion. Estimated June, 1943, output rate of 98,279,970 tons of steel ingot is 9,710,000 tons higher than at the beginning of this year—compared with an increase of 10,762,000 projected by the Supply Priorities and Allocations Board program of last September.

Pig iron expansion is reduced more sharply than steel, from 13,810,550 tons to 10,945,000, or 21%. This leaves pig and scrap supply barely in balance with steel output, and any cut in scrap supply would put them out of balance.

Congress vs. Nelson?

Senator Gillette's bill setting up an agency independent of Donald Nelson to develop synthetic rubber from alcohol won't become law.

Despite the way the bill romped through Congress, the congressional recess will stymie any attempt to override the inevitable veto. But passage of the bill gave WPB officials a nasty jolt. They see it as evidence of a trend in Congress toward taking on actual administrative management of the war program, of undermining the one-man control now centered in Nelson.

The proposal to set up a Cargo Plane Corp. (page 24) is in the same direction. So was the formation of Smaller War Plants Corp., but that potentially disruptive measure had its teeth drawn when it was turned over to Nelson.

WPB and the Military

Formal charting of the relationship between the War Production Board and the Army-Navy Munitions Board merely crosses the t's on Donald Nelson's victory of last month when he clinched his final authority over raw material distribution.

As predicted (BW-Jul.18'42,p5), the realignment assigns to ANMB the job of determining military requirements for raw material. Thereafter ANMB comes to WPB as a petitioner to see whether the requirements can be met. WPB then makes an allocation of the portion which can be furnished.

ANMB will continue to issue priority

ratings under a somewhat changed system. The mechanics have not been worked out, but what it amounts to is that ANMB ratings will be for definite quantities of goods and the total will not be allowed to exceed the amount of the allocations.

Deliveries to Russia

There are constant reports to the contrary, but officials who should know insist that deliveries of war goods to Russia are running ahead of the schedules set up in the U. S.-Soviet protocol. A few individual items are behind, but the total shipments of finished military goods are ahead. Published reports that only 10% of war goods output is going to Russia are too low.

Including food supplies and raw materials, about half the \$50,000,000,000 to be spent on the war this year is allocated to lend-lease.

Fuel-Oil Embargo

The pending embargo on deliveries of domestic fuel oil to Eastern consumers until Sept. 15 will have these important effects: If a shortage develops (page 17), it will reduce inequalities among fuel users; the oil coming east for the rest of the summer will be stored in oil company tanks where it can be rationed, instead of in consumers' tanks. And the embargo may convert a few more users to solid fuel.

Forced Savings on the Docket

First official study of compulsory savings is likely to come in the Senate Finance Committee. Several government agencies have been working quietly on the idea, but so far it hasn't had a formal going-over (BW-Jul.18'42,p15). This week Chairman George announced that the Finance Committee was giving

"Cap" Krug Takes Over Priorities

It probably proves something about the War Production Board that whenever a member is promoted, his friends start worrying as to whether he's been kicked upstairs. However, friends of J. A. Krug, youthful chief of the power branch, are confident that his appointment as priorities director under Amory Houghton, WPB Director of Operations, is a boost and not a kick.

He has a tough job ahead. He takes on the priorities post at a time when the full impact of material shortage is really being felt for the first time, when priority ratings are so windily inflated that an A-1-a rating is worth about what an A-10 was six months ago, when industry is in the throes of shifting from the priority rating system to the tight quantitative controls of the production requirements plan.

Krug was an early practitioner at quantitative control in his operation of the utility maintenance and repair order. But his promotion arises from respect for his personal abilities rather than from his advocacy of any specific theory of material scheduling.

Donald Nelson's top assistant, William Batt, has publicly characterized the power branch as the best run in WPB.

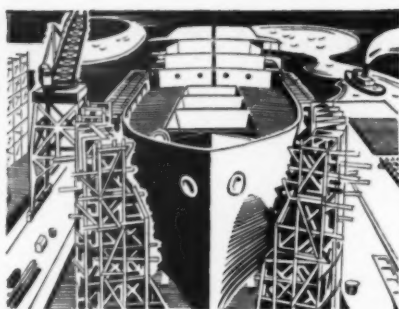
Uses a Hammer

"Cap" Krug is a burly six-footer who got his nickname in the days when he was a champion hammer



thrower. A slow talker, he thinks fast, is quick to decide and act, is not a man to worry over commas and provisos when authority is delegated to him.

Krug is a professional public administrator. He has been in government service ever since he graduated in 1930 from the University of Wisconsin—first with State Utility Commissions, then the Federal Communications Commission, and then the Tennessee Valley Authority. He was general manager of TVA in the critical days when that controversial agency was formulating its power policies.



It's Speed They Wanted, but Wood Gives Them Long Life Too

NEW SHIPYARDS have been able to get into production quickly, thanks in part to the use of wood. The ease with which wood can be worked and erected has simplified and speeded this construction. Wood was available for immediate use; no long waits for scarce materials, badly needed elsewhere for combat equipment.

WOLMANIZED LUMBER*, employed in many of these structures, gives them long life. Vacuum-pressure impregnation with a dependable preservative makes this wood highly resistant to decay and termite attack. These shipbuilding facilities will, therefore, cost less to maintain.

SERVICE RECORDS covering a period of over fifteen years and installations of millions of feet of Wolmanized Lumber prove the economy of building with this long-lived wood. Investigations in industry's truly tough spots have shown that renewals because of decay have run less than 0.2%.

WARTIME STRUCTURES built of Wolmanized Lumber will be available for peacetime use. First costs are little more than where ordinary wood is used, and lower upkeep expense will simplify postwar financing. If you want information on how and where to use Wolmanized Lumber, write American Lumber & Treating Company, 1656 McCormick Bldg., Chicago, Ill.

*Registered Trade Mark

**WOLMANIZED
LUMBER**



WASHINGTON BULLETIN (Continued)

"a great deal of thought" to forced savings, might want to take action before reporting the 1942 revenue act.

Odds are still against writing compulsory savings into the current tax bill. It's a hot issue to bring up this close to elections. And Secretary Morgenthau still holds out for voluntary methods. There's a good chance for an entering wedge—for instance, tax deductions for bond purchases.

Will Bondholders Hold?

The Treasury has its fingers crossed. It is wondering how soon the high-pressure methods being used in the sale of war bonds will result in a wave of redemptions. Stories are heard of plants where hot bond sales campaigns resulted, 60 days later, in long lines outside the post offices as workers cashed in their bonds.

June redemptions were up—\$14,800,000 compared with a previous peak of \$11,200,000 in March—but the Treasury hopes this can be charged to quarterly income tax payments.

• **Not So Bad**—Actually, Treasury officials are amazed at the low level of redemptions so far. Of some \$6,657,000,000 in bonds sold from May, 1941, through June, only \$75,296,000—a little over 1%—have been cashed.

OPA and Utility Rates

Moving piecemeal into the utility rate picture despite exclusion of such charges from the Price Control Law, OPA this week bit off what may be an indigestible bite by invading the generally sacrosanct area of municipal-operation rates. Henderson asked the city fathers of Philadelphia to withdraw a hike in rates projected by the city-operated gas works to offset increased fuel costs.

The best answer it got was that the only alternative was for the government to absorb the higher fuel costs through expansion of the petroleum transportation subsidy program.

• **Your Move**—OPA's excursion to Maine with a petition to intervene in a rate increase case designed to offset higher taxes (BW—Jul. 4 '42, p8) is shelved until the company asks the state commission for a hearing on a pre-OPA order suspending the new rates.

Your Air Travel

For the next few weeks at least, you can still ride the airlines without a priority (BW—Jun. 27 '42, p18). But if air travel is indispensable to your business, you had better apply to the Air Division, Services of Supply, U. S. Army. If you

are a war contractor, the division will designate an air priority certification officer, to whom you will apply for trip certificates.

If you are not a contractor, but can prove that your operations are really essential to the war, the division will appoint one of your own executives as certification officer for your company—but you'll have to talk mighty fast to accomplish this.

Liquidating CCC

Most of the Civilian Conservation Corps equipment that the newspapers stirred up a fuss about a couple months ago is doing real war work now—it's being used on the Alaska highway project. Tractors, draglines, and dump trucks have been sent north.

Meanwhile, the defunct CCC's staff has largely been amalgamated into the War Department. The 800 camps (of which only about 400 were active at the last) are being transferred at a rate of 20 or 30 a day to the Army, Navy, and Civil Aeronautics Administration. Facilities are used for storage space, housing of selectees and civilian pilots, etc. If any camps are left over, they'll be given to the Red Cross or Boy Scouts.

• **Boys in Green**—No special disposition was made of the 54,000 boys in the last batch of recruits. They were sent home or back to their induction centers for discharge. Factories have probably gobbled up most of them by now.

Capital Gains (and Losses)

Lt. Comdr. McClelland Barclay isn't the only artist in uniform. Navy has commissioned a staff of several painters to preserve a record of the war on canvas. Their work ranges from battle scenes sketched for post-war murals to portraits of admirals in full regalia.

Despite all the talk about small cargo carriers—airplanes, little boats—as the answer to the submarine, don't be surprised to hear soon of a program of big freighters, half again the size of the Liberty ships.

If you bid on Quartermaster work, be sure you have a copy of the new "Bidders' Reference Book" obtainable from QM depots. It tabulates all standard instructions and contract provisions. Future bid documents will be cut from the usual 25 to 30 pages to two or three by simply including paragraph references to the new pamphlet.

Obituaries are already being written for the Smaller War Plants Corp.

—Business Week's
Washington Bureau

FIGURES OF THE WEEK

	\$ Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
THE INDEX (see chart below)	*185.2	†183.9	182.2	169.2	161.6

PRODUCTION

Steel Ingot Operations (% of capacity).....	97.0	98.7	96.5	94.6	97.6
Production of Automobiles and Trucks.....	18,260	17,870	22,935	79,930	105,635
Engineering Const. Awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$40,988	\$39,239	\$37,991	\$23,906	\$36,852
Electric Power Output (million kilowatt-hours).....	3,626	3,565	3,457	3,440	3,221
Crude Oil (daily average, 1,000 bbls.).....	3,691	3,713	3,719	4,311	3,870
Bituminous Coal (daily average, 1,000 tons).....	1,846	1,793	1,854	1,888	1,796

TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	79	79	79	84	87
All Other Carloadings (daily average, 1,000 cars).....	64	64	62	52	63
Money in Circulation (Wednesday series, millions).....	\$12,546	\$12,502	\$12,231	\$11,077	\$9,634
Department Store Sales (change from same week of preceding year).....	+5%	+10%	+9%	+45%	+23%
Business Failures (Dun & Bradstreet, number).....	190	167	198	241	253

PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931 = 100).....	230.6	231.4	229.7	225.9	211.7
Industrial Raw Materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)...	154.2	154.8	154.9	153.2	146.8
Domestic Farm Products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)...	179.9	182.0	179.3	178.2	151.2
‡Finished Steel Composite (Steel, ton).....	\$56.73	\$56.73	\$56.73	\$56.73	\$56.73
‡Scrap Steel Composite (Iron Age, ton).....	\$19.17	\$19.17	\$19.17	\$19.17	\$19.17
‡Copper (electrolytic, Connecticut Valley, lb.).....	12.000¢	12.000¢	12.000¢	12.000¢	12.029¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.07	\$1.07	\$1.12	\$1.26	\$0.98
‡Sugar (raw, delivered New York, lb.).....	3.74¢	3.74¢	3.74¢	3.74¢	3.59¢
Cotton (middling, ten designated markets, lb.).....	18.96¢	19.34¢	19.22¢	19.78¢	16.61¢
‡Wool Tops (New York, lb.).....	\$1.249	\$1.250	\$1.195	\$1.279	\$1.256
‡Rubber (ribbed smoked sheets, New York, lb.).....	22.50¢	22.50¢	22.50¢	22.50¢	22.95¢

FINANCE

90 Stocks, Price Index (Standard & Poor's Corp.).....	68.3	69.5	65.5	70.7	82.6
Medium Grade Corporate Bond Yield (30 Baa issues, Moody's).....	4.29%	4.30%	4.34%	4.28%	4.27%
High Grade Corporate Bond Yield (30 Aaa issues, Moody's).....	2.82%	2.83%	2.84%	2.84%	2.75%
U. S. Bond Yield (average of all taxable issues due or callable after twelve years)	2.34%	2.34%	2.34%	2.37%	2.13%
U. S. Treasury 3-to-5-year Note Yield (taxable).....	1.21%	1.20%	1.17%	0.94%	0.68%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	½-¾%	¾%	¾%

BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	26,313	25,822	25,948	24,426	24,381
Total Loans and Investments, reporting member banks.....	33,396	33,338	31,587	30,211	28,646
Commercial and Agricultural Loans, reporting member banks.....	6,430	6,481	6,505	6,721	6,011
Securities Loans, reporting member banks.....	1,034	1,023	844	850	902
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks..	19,218	19,110	17,361	15,339	14,593
Other Securities Held, reporting member banks.....	3,414	3,382	3,508	3,673	3,549
Excess Reserves, all member banks (Wednesday series).....	2,300	2,070	2,650	3,584	5,181
Total Federal Reserve Credit Outstanding (Wednesday series).....	3,196	3,227	2,698	2,383	2,248

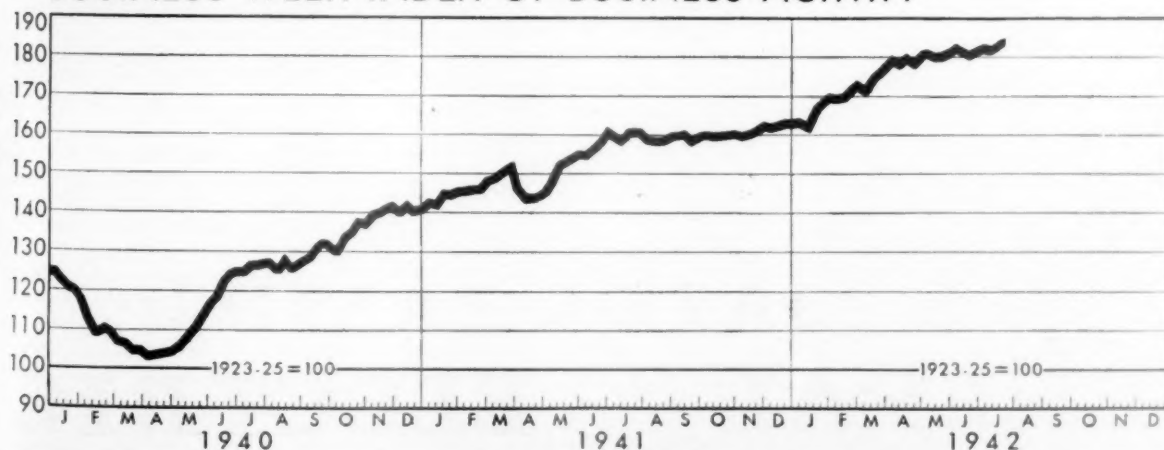
* Preliminary, week ended July 25th.

† Revised.

‡ Ceiling fixed by government.

§ Date for "Latest Week" on each series on request.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY



**GENERAL ELECTRIC
MAZDA H
(MERCURY) LAMPS**

WHAT DOES "H" STAND FOR?

Hg is the chemical symbol for mercury . . . Hydrargyrum.

So, back in 1933, when General Electric introduced this line of mercury lamps, they became known as G-E MAZDA "H" lamps.

THE JOB—But today this veteran "H" might well stand for the Help that lighting is giving America to build—not too little and not too late . . . along great production lines, in small factories, in lofts—anywhere the job—the big job—the only job—is to make every production second count.

LONG LIFE—You could say that "H" is apt because General Electric MAZDA H lamps have a wide reputation for Hardiness. Their rated life is 3000 hours! At the end of rated life, these lamps are still delivering better than

85% of the light output of a new lamp! And they withstand vibration.

LOW COST—Again the letter might stand for the way G-E MAZDA H appeals to "Hard-Headed" purchasing agents. In open reflectors for "high-bay" use or in enclosed units for lower mounting, cost of installation is relatively low!

HIGH-BAY LIGHTING—Or "H" might stand for "High Bay" lighting—an important type of vertical industrial lighting job that G-E MAZDA H lamps handle with outstanding efficiency.

WHAT TO DO—Perhaps this G-E MAZDA H (Mercury) lamp has something for you, especially if you are running a wartime factory. All you need to do is telephone General Electric, or your local electric service company, electrical jobber or contractor.



G-E MAZDA H Lamps provide good working light all over this high bay . . . permit full use of floor space.

G-E MAZDA LAMPS
GENERAL  ELECTRIC

THE OUTLOOK

Steel Highlights a Battle

Strategy adopted to expand its supply and restrict its use will be carried over to other critical materials—and will sharpen the struggle for civilian goods.

As Congress refused appeals to renew the Higgins shipbuilding contract (page 24), originally canceled in order to conserve steel; as Admiral Land testified that shipbuilding capacity has outstripped steel supplies; and as still another arms plant—Oldsmobile's ordnance works—reduced operations for lack of steel, industry's materials problems this week hit the headlines hard.

Actually, though their effects now dovetail, there are two separate difficulties: (1) In the long run, our war potential is limited by the overall materials supply (BW—Apr.18'42,p13). (2) Current operations, however, are being slowed by maldistribution of available materials (BW—Jul.25'42,p13).

Where Is It Going?

In any case, the seeming mystery is why, with all our resources, we should have any problem at all. To put it concretely, where is our nearly 90,000,000 ingot-ton steel production going?

In rough, round figures, only about a third is flowing into direct war implements—tanks, ships, shells, bombers, guns, etc. But, one-sixth is going into exports (mostly to Britain), another sixth into construction, and the remaining one-third into "essential civilian" or "indirect war" demands.

Where, then, if we are using all our current ingot production, will we get the steel to double our production of finished war implements, as projected?

Expanding War Supplies

First, there will have to be more capacity, more scrap, and less stock-piling (BW—Jul.18'42,p13). By July 1, 1943—if the newly-recommended expansion of the War Production Board's Iron and Steel Branch is adopted—annual capacity will be lifted over 98,000,000 tons. To use that potential fully, scrap collections must be greatly increased, for we are not supplying sufficient raw material to run even our present mills to the hilt. And, steel now accumulating in necessarily high "in process" inventories of war industries will later flow directly into final fabrication. Altogether, supplies for direct war implements will thus be increased by 15,000,000 tons.

Secondly, the plan is to curtail "indirect" war demands in favor of

"direct" (BW—May30'42,p13); particularly, arms-plant building must be reduced. As needs to equip new plants diminish, production of industrial machinery will be restricted. Such other steel-consuming industries as railroads and agricultural implements will be forced to get along on less. And steel will be replaced, when possible, by less critical materials—plastics, wood, glass. These cuts will free another 15,000,000 tons for making actual war weapons.

Fewer Civilian Allotments

By these two moves—expansion of supply and curtailment of use—we should have 30,000,000 tons more next year to feed the doubled demands of the direct war machine.

All this, translated for other basic materials—non-ferrous metals, chemi-

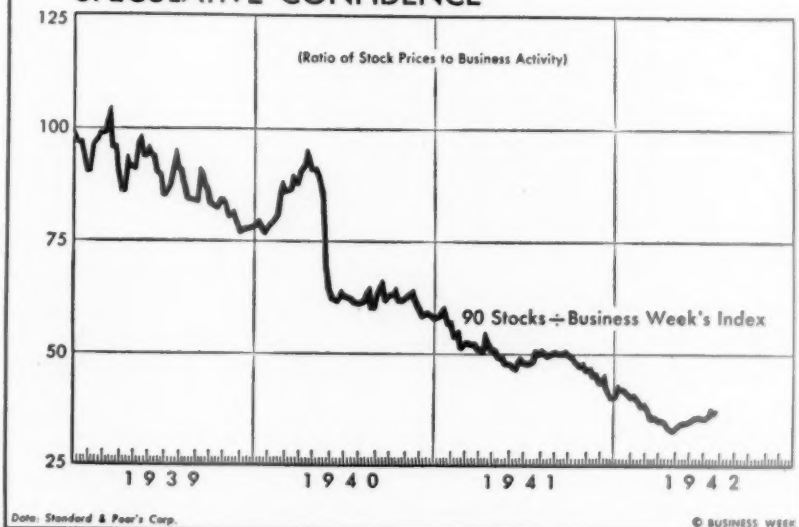
cals, textiles, lumber, foods, power and fuel—implies a further diminution in civilian supply to, perhaps, irreducible levels. What is now being fought out on the wage, price, and tax fronts is the question of how those consumption goods and services will be divided.

Goods vs. Incomes

In a year, the annual value of all new consumer goods and services will surely amount to less than \$500 per capita, whereas per capita income may be nearly double that. Obviously, someone's expenditures must be cut. But, whose? This week, thanks to the Bureau of Labor Statistics, we have, for the first time since 1936, data on the distribution of income. In the first quarter of 1942, fully 27% of the single persons living in cities had annual incomes of less than \$500 a year, and 27% of the families of two or more persons had less than \$1500 a year.

The "lower fourth's" incomes, presumably, are at minimum subsistence levels. At least, neither Congress nor the Treasury proposes to tax them, on just that assumption. But clearly, widespread rationing will be necessary to

IN THE OUTLOOK: SPECULATIVE CONFIDENCE



As the chart shows, over recent years investors and speculators have been placing a persistently diminishing cash value on a given volume of business activity. But, since late April stock prices have advanced some 15%, causing a moderate gain in the Business Week Index of Speculative Confidence. What is interesting is that this rise held in the face of Rommel's drive

into Egypt, and the even more threatening Nazi sweep across southern Russia. And so, one possible explanation of why stock-buyers are now paying more for earnings and dividend prospects is that the worst developments to be expected in the war outlook may already have been discounted. But, three months do not make—or break—a trend.

insure that this major low-income group is not pushed below subsistence level.

The fact that the "lower fourth's" incomes amount to little more than its probable subsistence shares implies that the higher income levels will be forced to even sharper reductions in spending. That, perforce, intensifies the competition among capital, labor, and the farmer for higher returns.

Significantly, however, the National War Labor Board's new wage-living cost formula has not provoked any major labor unrest. This week, the NWLB took the logical step forward in refusing Remington Rand workers an increase because their wages had already advanced more than living costs since Jan. 1, 1941. Interestingly, the National Association of Manufacturers has endorsed the NWLB formula, pointing out that hourly earnings in two-thirds of all manufacturing industries already have risen enough to cover living costs.

REGIONAL OUTLOOK SCHEDULE CHANGES

To reflect wartime conditions, the schedule on which Business Week's Regional Market Outlook forecasts changes in income and business prospects in each of the 12 Federal Reserve districts has been revised. Heretofore, three of the districts have been considered each week, the full 12 in the course of a single month. From now on, all 12 regions will be considered together in the last issue of each month. The first such monthly summary, complete with the Regional Income Indexes (page 46), is scheduled for the issue of Aug. 29.

There are two reasons for the change. In all areas, a new common denominator—war business—tends to overshadow peacetime factors of regular local significance. But common denominator, is in no sense of the word, of uniform weight, and the new presentation is designed to show at once how the impact of war business varies markedly district by district. Secondly, much significant regional news—material shortages and the establishment of new plants and bases, for example—is military information restricted by censorship, and as a consequence news reports must necessarily be abbreviated. Of course, these undisclosed developments still are reported to Business Week by its regional correspondents, and they continue to be vital factors in the formulation of Regional Market Outlook forecasts.

What's Happening to the Cost of Living

	Food	Clothing	Rent	Fuel, Ice, & Elec- tricity	House Furn- ishings	Misc.	Total Cost of Living
August, 1939.	93.5	100.3	104.3	97.5	100.6	100.4	98.6
June, 1940...	98.3	101.7	104.6	98.6	100.1	100.6	100.5
June, 1941...	105.9	103.3	105.8	101.4	105.3	103.3	104.6
July	106.7	104.8	106.1	102.3	107.4	103.7	105.3
August	108.0	106.9	106.3	103.2	108.9	104.0	106.2
September ..	110.8	110.8	106.8	103.7	112.0	105.0	108.1
October	111.6	112.6	107.5	104.0	114.4	106.9	109.3
November ...	113.1	113.8	107.8	104.0	115.6	107.4	110.2
December ...	113.1	114.8	108.2	104.1	116.8	107.7	110.5
January, 1942.	116.2	116.1	108.4	104.3	118.2	108.5	112.0
February	116.8	119.0	108.6	104.4	119.7	109.4	112.9
March	118.6	123.6	108.9	104.5	121.2	110.1	114.3
April	119.6	126.5	109.2	104.3	121.9	110.6	115.1
May	121.6	126.2	109.9	104.9	122.2	110.9	116.0
June	123.2	125.3	108.5	105.0	122.3	110.9	116.4

Data: U. S. Bureau of Labor Statistics; 1935-39=100.

The index of the average cost of living in large cities increased from 116.0 to 116.4 between May 15 and June 15, first month of government price ceilings. Major factor in the rise was food cost, up 1.3%. Those food prices which are under control, however, dropped 1.0%, while uncontrolled foods rose 4.8%. All impor-

tant clothing prices are regulated, and the clothing index declined 0.7%. Largest decline was in the rent index, which dropped 1.3%, due chiefly to the fact that in six of the cities included in the average—Cleveland, Detroit, Norfolk, Birmingham, Mobile, and Seattle—federal rent control took effect during the month.

Ontario Passage

Border shortcut is won for trucks bearing war goods, but firms using that route have to iron out some difficulties.

Faster deliveries of war materials and fewer stoppages of armament plants working against lean inventories are expected as a result of Ottawa's belated decision to allow American truckers the use of Canadian highways between Detroit or Port Huron, Mich., and Buffalo.

● **8 Hours Instead of 16**—The Canadian route is 115 miles shorter than the highway circuit via Cleveland, and can be negotiated by trucks in 8 hours instead of 16. Since most truck shipments start to move in late afternoon, Buffalo plane plants will be able to get Detroit-made parts the morning after they are loaded. Finished guns from Detroit can be laid down in Boston harbor on the second morning. Likewise, steel made at Lackawanna, N. Y., or chemicals from the Niagara district can arrive in Detroit overnight.

Ottawa's action stipulates that shipments must be confined exclusively to military freight carried in heavy bond, and that such traffic will be permitted for the duration only. These concessions follow five years of pleading by the trucking interests, with Canada say-

ing "No" on the ground that it would be impossible to prevent evasion of duties or abuses (BW—May 17 '41, p33).

● **A Headache**—Now that the concessions have been won, the twelve Michigan trucking firms who will use the Canadian route do not regard them as an unmixed blessing. While the saving to them in comparison with the Cleveland route will be about 30%, which will not be passed back to the shipper, classification of the freight is regarded as a headache. It will be extremely hazardous to accept anything less than a full truckload definitely known to be war materials.

If less than full-load lots are handled, shippers must clearly declare the contents on the bill of lading. A slipup, such as taking a part load of candy or cigarettes, might entail heavy fines or perhaps loss of the trucking firm's bond, which is reported set at \$80,000. Unless the truckers can educate shippers to make scrupulous declarations on the bills of lading, the traffic may be restricted to full-load lots or to customers known to be engaged in war work.

● **Scope of the Traffic**—The truckers say that the trans-Canadian highway movement will not cut into railroad revenues. Altogether, not more than 200 to 300 of the participating firms' 2,500 trucks will be assigned to this traffic, and perhaps not more than 100 (or 50 each way) will pass through Canada daily.

Just how the traffic will be operated depends on the outcome of negotiations

which have been under way for months between the Michigan firms and International Highway Forwarders, Ltd., Toronto. Reportedly backed by the bridge authorities and British-American Oil, the Toronto outfit has proposed that it handle the trucks through Canada, providing Canadian drivers, gasoline, the bond and seals for the trucks, and charging a fee to cover expenses. The American truckers, while grateful to their Canadian colleagues, are inclined to view some parts of the scheme as "monopolistic."

• **Cost Factors**—How much of International Highway Forwarders' plan will be accepted depends largely on the cost of license tags and the amount of the bond that the trucker would have to put up if operating on his own. Ontario truck tags cost \$350, or \$100 more than any plate now used by the Michigan firms. With not more than 100 or so trucks operating in Canada at one time, the owners obviously do not want to buy tags for the 2,500 trucks in their combined fleets, but neither do they feel that it is possible to segregate trucks for the trans-Canadian service.

If Canadian authorities refuse to permit American firms to transfer a limited number of plates from vehicle to vehicle, then it will be cheaper to let International Highway Forwarders buy plates and transfer them, if that is allowed.

• **Present Attitude**—Some of the Michigan firms are financially able to post an \$80,000 bond, others may not be. Since International Highway Forwarders has ample resources, even the larger trucking concerns are more or less inclined to let the Ontario group handle all phases of getting the trucks through Canada.

RENT CEILING UPHELD

First overt challenge to the Office of Price Administration's rent regulations has been met by a sweeping injunction obtained by enforcement officials. OPA charges that Baldwin Brothers, operators of about 1,000 housing units in and around Erie, Pa., demanded rent payments from \$3 to \$5 a month higher than those paid on March 1, 1942, the ceiling date for the area, and that when tenants offered payment of ceiling rents, the company returned the money with the notation that the company would not accept them "until the new rent law . . . has been properly interpreted by our courts."

The injunction, secured in the U. S. District Court at Pittsburgh, restrains the company from collecting payments in excess of ceiling levels and from otherwise violating the rent regulations.

In Mobile, Ala., a property owner's suit to enjoin rent control was dismissed. No ruling on the constitutionality of the act was made, however.

Army Sifts Contract Costs

Chicago Ordnance District's questionnaire indicates pretty clearly what's ahead. Just a fact-finding job, survey is designed to smoke out contracts that may be too profitable.

The manufacturers who hold prime contracts in the Chicago Ordnance District last week received questionnaires intended to uncover all pertinent and important facts bearing upon their profits, expenses, and cost accounting practices applying to their war work. The answers to the 17 searching questions of this cost analysis will become part of the district office's permanent record.

• **What's Ahead**—This particular questionnaire is a project of the Chicago Ordnance District, but war contractors in other areas can expect federal procurement officers to start taking an intensified interest in cost and profit fig-

ures. At Washington, the War and Navy departments and WPB are now in the throes of working out detailed procedures for cost-control on contracts (BW—Jun. 13 '42, p. 17). Principally, this means renegotiation of future and existing contracts to establish a lower price if original prices prove too lucrative. An apparatus of departmental, branch, and field price adjustment boards is now being built, but meanwhile field procurement offices have been advised to assemble adequate cost figures on contracts under their supervision.

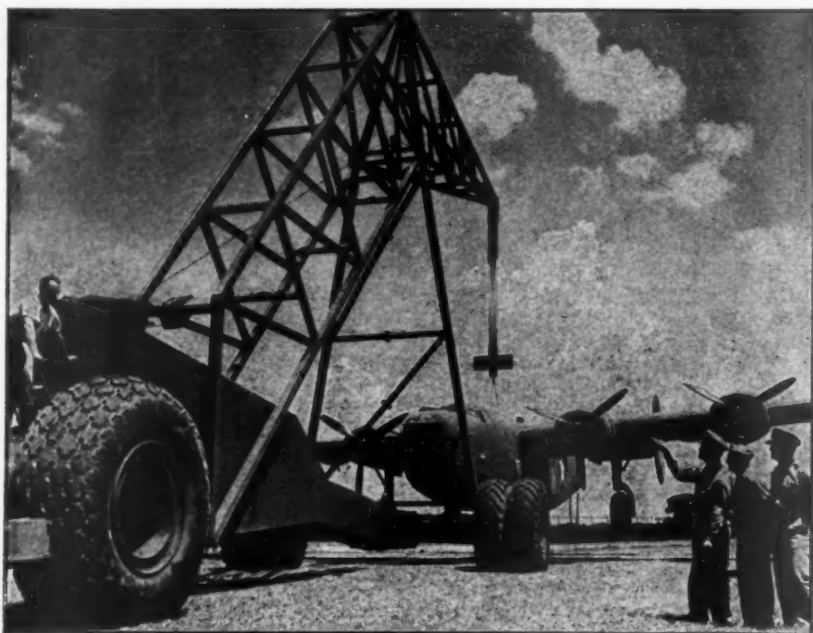
Brig. Gen. Donald Armstrong, Chicago district chief emphasizes that the



TIRES FOR ALL?

Officials of leading tire manufacturing firms who appeared in Washington, D. C., last week to explain the virtues of their "tires-for-all" plan included (left to right) P. W. Litchfield, president, Goodyear Tire & Rubber Co.; William O'Neil, president of General Tire & Rubber Co.; Harvey S. Firestone, Jr., president, Firestone Tire & Rubber Co.; J. J. Newman, vice-president, B. F. Goodrich Co.; L. D. Tompkins, U. S. Rubber Co.; and J. P. Seiberling, president, Seiberling Tire

& Rubber Co. Their splashy announcement that 48,000,000 tires could be made during the next two years has left Donald Nelson and the President under heavy pressure to allot the necessary materials. In reporting the expected rubber miracle, the press slurred over two important provisos which the tire industry wisely inserted in their proposition—a 40% reduction in mileage and a 40 m.p.h. speed limit. Significantly, in the Office of Rubber Coordinator Newhall, there was no sign of resentment over the publicity.



SUPERCRAANE

Designed by Army Air Corps engineers at Wright Field, Ohio, a new supercrane is even capable of lifting

the huge B-24 bomber. The crane will be used during and following enemy attacks and is designed to clear fields of damaged planes with a minimum of delay.

present examination of contractors' costs and procedures is not an exercise by the Secretary of War of his statutory power of renegotiation. At the same time, the general expresses a pious hope "that any contract found producing or reasonably apt to produce excessive profits will be adjusted voluntarily."

• **No Criticism Implied**—He also announces that this request for an analysis of costs is no criticism of a contractor nor an implication that the company's accounting methods are faulty. Likewise, Chicago Ordnance carefully states that it is not now undertaking to judge whether any elements of cost are proper or improper, but is as yet merely trying to get at the facts.

Unlike many a government questionnaire, the Chicago cost-and-profit analysis is designed to let the contractor use his normal method of accounting, and to substitute his own procedure at any point where the particular question does not apply. In fact, the last question practically tells the manufacturer to write his own questionnaire, but to make sure that he supplies the facts required for the purpose in hand.

• **Thought-Provoker**—Apparent in the questions themselves is the expectation that this examination will cause every contractor on the list to do some serious thinking about his costs and his profits on war business. The desire is to avoid the devious and the concealed, lest control be lost and abuses creep in.

Clearly, it is expected that after check-

ing through the questionnaire, some contractors will find it expedient to consult their accountants in serious vein, and to make changes in their policies and procedures if any seem advisable. Some such consultations should logically lead to renegotiations on the contractor's own initiative, and if the too-profitable contractor is bashful about coming forward, Ordnance will doubtless remind him of his opportunity before it is too late.

• **Ounce of Prevention**—Obvious implication of the survey is that Chicago Ordnance administrators are eager to keep themselves as well as their contractors on sound ground throughout. It follows that if they keep all Chicago district contracts clean of profiteering, they will be in position to help their contractors defend their wartime performances if ever these should be attacked. To reach this position it is necessary to have each contractor's help now in making his performance readily defensible. By so thorough an examination of each contract, they plainly hope to clear up any abuses that may have crept in.

If they do their job properly, Chicago Ordnance Office contracts should provide poor pickings for post-war investigators.

• **First Reactions**—Comments from contractors who received the early mailings of the questionnaire indicate that many of them—and their accounting firms—consider this survey sensible and work-

able. Many a far-sighted manufacturer says he recognizes the advantage to himself and welcomes the investigation right now, fed up as he admittedly is on questionnaires in general.

Starting point of the study is a detailed tabulation of the manufacturer's advance estimates of costs and profit used in arriving at the price contained in the contract. This gives a background against which to interpret actual performances achieved in the course of production. Then comes an identical tabulation of actual costs. Next in line is a statement of the effect upon unit cost in current and future contracts for the same product of nonrecurring preliminary expenses, such as personnel training, engineering, and tooling up.

• **Burden Rates**—Four questions go into the minutiae of burden rates and the allocation of burden. Belief of Chicago Ordnance administrators is that direct labor and direct material can be easily taken care of by anyone who can keep records, that burden offers more room for faulty judgment and abuses.

A major subhead covered here is procedures in charging overtime and shift premiums. The contractor is asked whether these are charged as direct labor or burden, how these are eventually apportioned to work passing through the plant. The effort, of course, is to avoid having the extra labor costs loaded arbitrarily or unfairly upon any particular contract. Such questions have arisen with contractors who saw that war work caused all such premium costs, but who failed to see that it also absorbed most of their overhead.

• **Accent on Methods**—Manufacturing burden and its apportionment offer other opportunities for faulty procedure. The Ordnance administrators want to deal rather with methods than with dollars at this point, because they say they can argue with a contractor's methods and reasoning, but not with his cost figure as a figure.

Thus, consider the manufacturer who has 20% of his plant filled three shifts with government work, the other 80% shut down or operating only a few hours a week because of difficulty in obtaining materials for civilian output. The general principle is to have the government work carry its fair share of burden on facilities actually employed, plus fair provision for standby facilities—but no more.

• **Before and After**—The manufacturer is requested to compare, by departments or however he prefers, burden rates before and after undertaking war production.

There have been many instances where a firm used one kind of machinery for its former product, was forced for war production to entirely different kinds of machines. Thereby it may have adopted manufacturing methods that are inherently higher-cost.

or not comparable with former methods. If a firm changed its burden rate for some such legitimate reason, O.K. The point is always to make sure that the method now in use is right, that the rates on war work stay within the range of reasonableness.

• **Depreciation**—Depreciation is another aspect of burden that gets meticulous scrutiny. The aim is to find the company's previous policy, the industry custom, or other norm. Widespread talk of accelerated depreciation due to long working weeks has produced some odd quirks in cost-accounting procedures. Manufacturers have been known to argue for an accounting method that provides depreciation adequate for the wear and tear on machinery due to long working hours, then catches these costs a second time in the repair expense.

Amortization of special war production facilities is checked carefully, particularly to obtain a historical record of all equipment entitled to five-year amortization.

• **Searching Questions**—Some prudent manufacturers have been found to be depreciating their emergency equipment at a rate to get it off the books in two years—which may be all right if this charge ceases thereafter to show up in factory costs. Other contractors have amortized the entire cost of special equipment over their first war contract, even though this took only six months. The Chicago Ordnance office does not attempt to prejudge such cost items, but its questionnaire calls them to the contractor's attention by asking searching questions.

Still another set of questions checks into the prewar and current capacity of the company.

• **Development Work**—Other questions examine competence and speed of engineering and development work. Selling expense, including advertising, and costs of servicing and distributing commercial products, are looked at in the light of Treasury Decision 5,000. Sales volume vs. administrative expenses is tabulated for the past five fiscal years, and percentage increase or decrease of administrative expenses since entering war production.

Likewise, the percentage changes in aggregate officers' total compensation are shown, and bonus plans are explained.

• **Subcontracting**—The prime contractor is asked to tell the extent to which he has subcontracted to affiliates and to others, and to make profit or cost comparisons for these subcontracts. Disposition of expendable items from early contracts carried over for actual use on subsequent contracts is checked up; also disposition of scrap from government-supplied materials. Such questions seem obviously intended principally to stimulate the contractor to clear thinking.

One tabulation shows net profits be-

fore and after federal income taxes each year since 1936, viewed from several different directions. The purpose is apparently to force the manufacturer to step back and look at the over-all effect.

• **Germane**—When he has finished with answering these questions, he is likely

to appreciate that his firm's ability to make money before it had war contracts is pertinent to its present experience on war contracts, and that rate of turnover on war business is germane to the rate of profit on the unit of war production.

Gaging the Oil Problem

Despite rise in overland petroleum transport, traffic by sea will determine whether East has fuel-oil shortage. And, despite pipeline publicity, tank cars do heavy end of the job.

Despite progress in building up overland transportation facilities for petroleum, indications are that the East Coast will continue to be, in some degree, dependent on tanker movements throughout the coming winter.

• **Question Mark**—The exact degree of this dependence is one of the big question marks of the general fuel problem. If tanker operations continue at their present level until fall and at a somewhat reduced rate through the winter months, normal demand for fuel oil can be met. If, however, submarine activity or naval demand for more tankers should cause marked additional curtailment of tanker traffic, a serious shortage is in the offing.

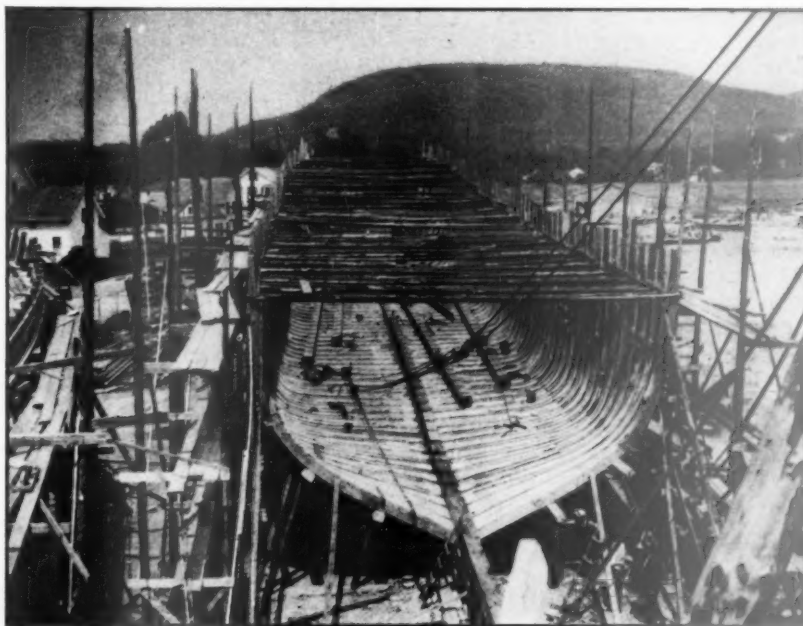
Last December, total overland movement of petroleum amounted to less than 100,000 bbl. per day. Late in June, the most recent available figures

showed overland movement of 954,000 bbl. per day.

• **Additional Facilities**—Projects now on the fire for increased barge and pipeline transportation eastward are very conservatively estimated by the Petroleum Coordinator as providing for delivery of an additional 275,000 bbl. per day, most of it to be available by the end of the year.

Thus, by the beginning of next year, there will be about 1,230,000 bbl. per day of overland movement.

The oil demand to be met depends upon the degree of use-restriction. On a free use basis, "normal" East Coast demand for petroleum and petroleum products would now be running at about 1,600,000 bbl. per day. The Petroleum Coordinator estimates that, with gasoline subject to rationing, the demand over the remainder of the year



WOODEN BARGE

Shortage of steel for ships and the submarine toll on the East Coast are combining to bring the lowly wooden barge back into its own (BW—Jul.

18'42,p26). The Camden Shipbuilding & Marine Railway Co., has a contract for ten of the large wooden hulls to be 180 ft. long and 33 ft. wide, capable of hauling about 1,200 tons of coal. Each costs about \$200,000.

will be cut down to some 1,367,000 bbl. per day.

• **Further Cut?**—This demand could be cut still further, according to the Petroleum Industries War Council, to something like 1,137,000 bbl. per day now and 1,460,000 in the early part of next year, without interfering with the war effort. This would be distinctly on a hardship basis. It would call, for instance, for cutting gasoline use from the 540,000 bbl. per day consumed during the period of the first rationing program to about 400,000 bbl. per day.

Gasoline is already being rationed and consumption can be cut a good deal farther without serious hardship. What really causes worry is the fuel oil situation. Industrial fuel is in fairly good shape. It, of course, has first priority in movement and the East Coast stocks are being built up. Moreover, there has been considerable conversion of oil-burning industrial equipment to other fuels. Such conversion now amounts to an annual saving of 20,547,000 bbl. per year, or about 17% of total eastern consumption.

• **Storage Problem**—Domestic fuel oil is in a more dangerous situation. During the summer months, the key problem here is storage. Normally, the East Coast enters the heating season in October with reserves of some 18,000,000 bbl. This reserve is depleted through the winter until about Apr. 1. From then until the following October it is built up again.

This year, because of the lower deliveries from Texas, depletion of the reserve continued until mid-June. Thus there is a less than normal period in which to build up the reserve, at the same time that transportation is tight. The Petroleum Industries War Council estimates, however, that tanker movements of 300,000 bbl. per day through the summer would permit accumulation of a sufficient reserve.

• **Tanker Shipment Rate**—Volume of tanker movements is treated as a military secret. It is almost certain, however, that tanker shipments now run somewhere between 200,000 and 400,000 bbl. per day—probably nearer the low figure.

Conversion of domestic oil burners is inconsequential—about half of a percent of the total consumption. (The Federal Reserve Board this week liberalized credit restrictions on pertinent equipment in order to give further impetus to oil burner conversion.)

The possibilities boil down to these: (1) no fuel oil shortage this winter; (2) a moderate shortage, which seems very likely; (3) a severe shortage if tanker traffic should be cut sharply. The most definite statement to which the Office of the Petroleum Coordinator will commit itself is that if you want to be sure of heat this winter you'd better convert.

• **Pooling Arrangement**—Apart from the

physical factors limiting overland transportation of oil is a financial one. The pooling arrangement by which the oil companies share the extra cost of overland movement is so set up that it tends to discourage use of the existing inland transportation machinery which regularly serves the mid-West area.

The pooling scheme was worked out in the days of the "phony" oil shortage of last year and was designed to cover only a small amount of overland transport. It is based on an agreement (fostered by the Office of the Petroleum Coordinator and the Office of Price Administration) that oil prices would be permitted to rise to cover the cost.



OIL METER

Tenants will pay for their fuel oil in the same manner as they pay for gas and electricity through the use of a new oil meter developed by Fluid Meters, Inc., of New York. They will be installed in the National Housing Administration project at Alexandria, Va., measuring the flow of oil to individual houses through the system of pipelines supplying fuel from large, centrally located tanks. Large savings in critical materials and in oil are claimed for the system.

The members of the pool turn into it the extra revenue resulting from the price increase. Then, whenever they ship oil overland, they draw from the pool the difference between actual transportation cost and what the cost would have been by tanker.

• **Difficulties**—This runs into two difficulties. The pool is about \$40,000,000 in the red because the price increases have come rather slowly. Thus smaller companies, who can't wait for their money, have stayed out of the pool.

More importantly, the pooling ar-

range takes no account of transport costs incurred in peacetime in mid-western shipments. Thus if an eastern distributor buys oil from a middle-western refinery he pays a price reflecting transportation that has already occurred from the Illinois or Oklahoma fields, but he is compensated by the pool only for the cost of transportation from the refinery to the east. It is more profitable for him to go clear to Texas for his oil and receive compensation for the entire haul.

• **Looking to Jessie Jones**—This has resulted in some uneconomic hauling and has also limited the ability of the Office of the Petroleum Coordinator actually to allocate oil transportation facilities. OPC hasn't felt free to order an eastern oil company to buy oil, say, in Illinois if this means the company will take a loss of \$160 on every tank car. There is a possibility that new arrangements by Jesse Jones for absorbing the transportation costs will straighten this out.

Jones hasn't disclosed, and probably hasn't decided, how he will work out his machinery to take the place of the pool (BW—Jul. 18 '42, p. 8). OPC is hoping that the scheme will take account of indirect transportation costs as well as direct ones. If it does, it will in effect remove transportation factors from the pricing of oil.

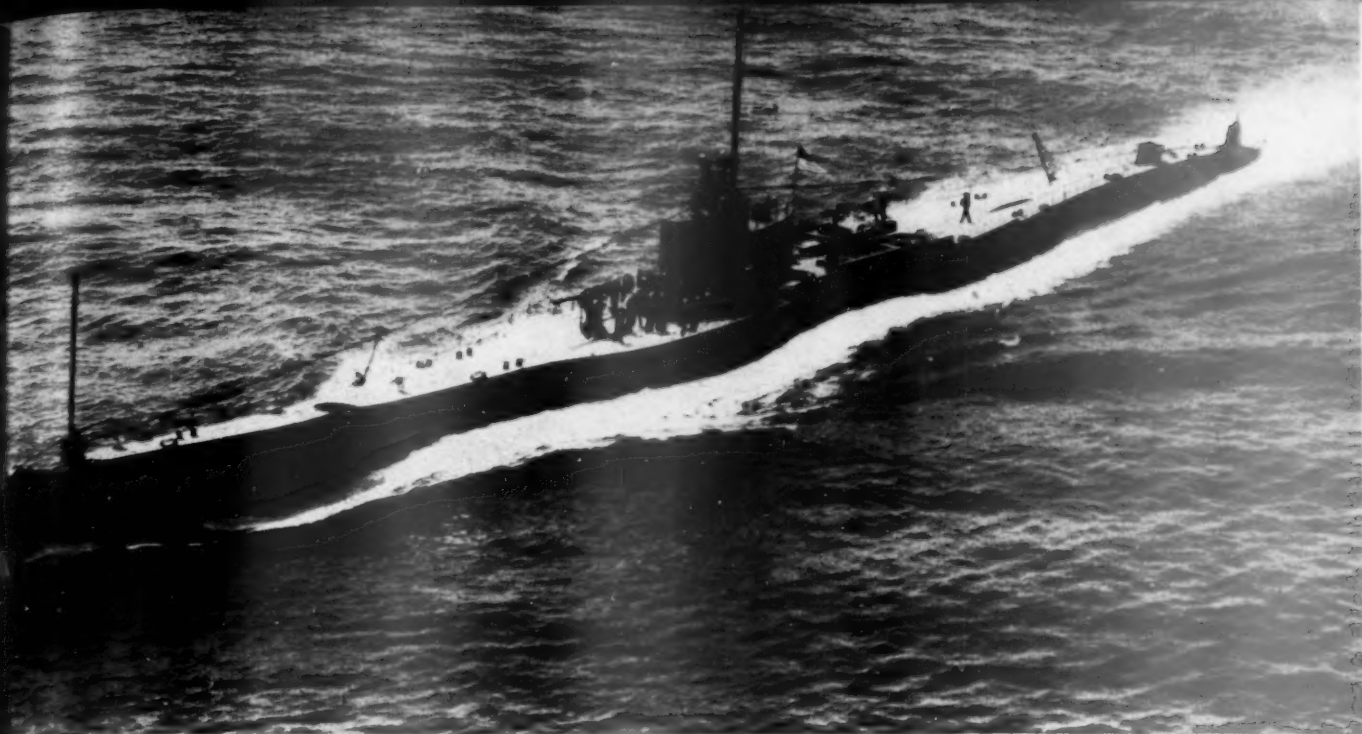
This would open the way for OPC to take over a real traffic-managing job on oil.

• **Tank Cars**—In the physical picture of overland oil transport, railway tank cars bulk by far the largest. Late in June, tank car movement into the East amounted to 730,000 bbl. per day. This is approaching capacity as far as number of cars is concerned (unless nationwide rationing should release more cars), but there is still considerable possibility of stepping up speed of handling. An ultimate capacity of 900,000 or even 1,000,000 bbl. per day is talked of.

One move planned in this direction is to have the railways handle tank cars on a solid train scheduled-run basis, like fruit or silk trains. OPC is now working out the details of schedules with the railways, and 60-car trains from Southwestern fields are already moving to single eastern destinations without terminal switching en route.

• **Pipeline Deliveries**—Pipeline construction gets the publicity, but the actual delivery figures are comparatively small. June deliveries by pipe amounted to 134,000 bbl. per day. New construction will only increase pipeline flow into the East by about 8,000 bbl. per day.

"The big pipe"—the 550-mile line from East Texas to southern Illinois—is now under construction. The first of the 137,500 tons of 24-in. seamless tubing required was delivered this month. By Dec. 1, the pipe is scheduled to be delivering 300,000 bbl. per



Sub Propeller Shafts Needed Quickly!

Story of How Ryerson Ingenuity Saved Five Weeks

URGENTLY needed at a distant shipyard were fourteen forged submarine propeller shafts that must pass Navy specifications.

Forgings were specified, but none could be secured in time.

Quickly available in Ryerson stocks were cold rolled bars—the right size—but in five different analyses.

Navy Inspectors were skeptical. Could Ryerson heat-treat and assure uniform physicals—also furnish pull tests for each bar? Well, no; because the piece left after the bars were cut to the needed length, would be too short to make a standard 6" test sample. A delay of five weeks loomed ahead. . . .

Then Ryerson metallurgists found a way: Inquiry revealed that the shafts were to be machined down at each end for a distance of 7". So, why not cut a piece from the side of each bar, *before machining*—enough for all tests yet leaving sufficient stock for machining to size? The idea worked perfectly.

The data charts always furnished with Ryerson Certified Steels provided the exact analysis of each bar and assured proper heat-treatment. A few minutes hacksaw work yielded the necessary test samples . . . and all fourteen bars passed the rigid Navy Inspection with flying colors.

Ryerson ingenuity has helped many manufacturers in



Cutting 6" test pieces from side of bar without affecting length.

solving production problems—has also cut ultimate delivery time from months to days. Ryerson engineers and metallurgists, backed by a century of service to the nation, are ready to work with you in accordance with WPB plan in making the most of all available steel.

JOSEPH T. RYERSON & SON, INC., Chicago • Milwaukee • St. Louis
Cincinnati • Detroit • Cleveland • Buffalo • Boston • Philadelphia • Jersey City

RYERSON STEEL-SERVICE

day of crude oil. The net increase in shipments to the East resulting from this pipe will be less than this, of course. Construction of the pipe means that tank cars which formerly ran to Texas now need only run to Illinois—with a resulting increase of about 150,000 bbl. per day in deliveries.

• **All the Way?**—Extending the line from Illinois to Bayonne, N. J., would double this figure, and OPC still has a request for the steel pending before WPB. But prospects don't look very good right now.

The line will be operated as a common carrier, but detailed arrangements have not yet been worked out. It is owned by the Defense Plant Corp., is

costing the DPC about \$35,000,000.

Another \$30,000,000, mostly RFC money, is being spent on comparatively minor improvements, relocations, and reversals of existing pipelines (BW—May 9'42, p17). All these projects are due for completion before the end of the year. Relocation of some 1,300 miles of pipe, installation of about 300 miles of new pipe, and related work will increase the capacity of sections of the east-bound pipeline system of the country by some 210,000 bbl. per day, but the net effect on deliveries to the East will be much less.

• **Line Across Florida**—One of the more important of these projects is the pipe across Florida, to eliminate long tanker

hauls around the peninsula from Gulf ports to the East. The DPC has purchased 200 miles of 8-in. pipe, now running from Longview, Texas, to Houston, from American Liberty Pipeline Co. and is moving it to the cross-Florida location. After October, it will handle 35,000 bbl. per day brought to it by existing steel barges diverted from other locations. This diversion is made possible by several of the other pipeline jobs.

Steel barges now in oil-transport service total 851. Seventy-six are now under construction, and another 75 can probably be obtained by replacing barges now in dry-cargo service with new wooden barges. OPC has proposed a

Flags For the Unflagging

Flags fly over the production plants of the United States—American flags of course, company pennants sometimes, and, here and there throughout the country, special flags to mark outstanding performance in production for the Army, the Navy, and the Maritime Commission.

These award-banners, presented with ceremonies carefully planned to build management, employee, and community pride and morale, started with the famous Navy E Flag ("E" for "excellence"), extended from crack ships to crack plants about a year ago. The last list of awards released by the Navy brought the number of plants entitled to fly the Navy E Flag up to 209—all adjudged to have done a stellar job on Navy contracts.

The Maritime Commission has added and will continue a flag awarded in recognition of outstanding performance in production for the shipbuilding program. Its latest available list of awards shows that the "M" pennant can

be flown by Bethlehem-Fairfield Shipyard Corp., Baltimore, Md.; California Shipbuilding Corp., Wilmington, Calif.; General Machinery Corp., Hamilton, O.; Joshua Hendy Iron Works, Sunnyvale, Calif.; Oregon Shipbuilding Corp., Portland, Ore.; Permanente Metals Corp., Richmond, Calif.; Webster-Brinkley Co., Seattle, Wash.

The Army designed a special award flag but held it up pending development of an idea that the Army and Navy ought to get together, since so many plants are doing outstanding jobs for both services. (Army and Navy had already gotten together on the combined award of an Army-Navy Star to certain machine tool plants.)

Now the services have announced that there will be a combined Army-Navy E Flag, as shown below. Simultaneously they have announced the initial list of plants entitled to fly it. On this list released July 28 appear these companies:

Acme Die and Machine Co., Inc., Latrobe, Penna.

Aircraft Radio Corp., Boonton, N. J.

Aldon Products Co., Duncannon, Penna.

Aluminum Co. of America, (Die Casting Division) Garwood, N. J.

American Bearing Corp., Indianapolis, Ind.

The A.O.G. Corp., Providence, R. I.

Belle Knitting Corp., Sayre, Penna.

Bendix Aviation Corp., (Bendix Radio Division) Baltimore, Md.

Boeing Airplane Co., Seattle, Wash.

S. F. Bowser & Co., Inc., Fort Wayne, Ind.

Buffalo Pumps, Inc., North Tonawanda, N. Y.

Camden Forge Co., Camden, N. J.

Carbide & Carbon Chemicals Corp., South Charleston, W. Va.

Chatham Manufacturing Co., Elkin, N. C.

Chrysler Corp., (Detroit Tank Arsenal) Centerline, Mich.

Clinton Woolen Manufacturing Co., Clinton, Mich.

Collins Radio Co., Cedar Rapids, Iowa

E. I. duPont de Nemours Co., (Indiana Ordnance Wks.) Charlestown, Ind.

Electric Boat Co., (Elco Naval Division) Bayonne, N. J.

Federal Shipbuilding and Dry Dock Co., Kearny, N. J.

Food Machinery Corp., Lakeland, Fla.

Foster Wheeler Corp., Danville, N. Y.

Fostoria Screw Co., Fostoria, Ohio

General Machinery Ordnance Corp., (U. S. Navy Ordnance Plant) South Charleston, W. Va.

General Motors Corp., (Oldsmobile Division) Lansing, Mich.

The Hampshire Woolen Co. and Ware Woolen Co., Ware, Mass.

Handy & Harman Co., Bridgeport, Conn.

Ingersol Rand Co., Athens, Penna.

I-T-E Circuit Breaker Co., Philadelphia, Penna.

Jenkins Brothers Inc., Bridgeport, Conn.

Kaltenbach Corp. and Wellman Engineering Corp., Cleveland, Ohio

Leeds & Northrup Co., Philadelphia, Penna.

Miami Shipbuilding Corp., Miami, Fla.

National Magnesium Corp., Elkton, Md.

National Zinc Co., Bartlesville, Okla.

Norris Stamping and Manufacturing Co., Los Angeles, Calif.

Ohio Injector Co., Wadsworth, Ohio

Ohio Locomotive Crane Co., Bucyrus, Ohio

Phelps Dodge Copper Products Corp., (Three Plants)

Royal Pants Co., Perkaskie, Penna.

J. Sklar Manufacturing Co., Long Island City, N. Y.

Snow & Petrelli Manufacturing Co., New Haven, Conn.

Sperry Gyroscope Co., Inc., (Five Plants)

Titan Metal Manufacturing Co., Bellefonte, Penna.

Todd Combustion Equipment, Inc., New York, N. Y.

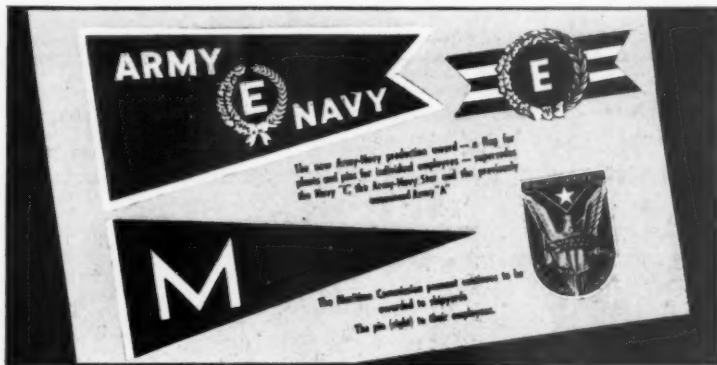
United Aircraft Corp., (Hamilton Standard Propeller Division) East Hartford, Conn.

Universal Unit Power Shovel Corp., Milwaukee, Wis.

Westinghouse Electric & Manufacturing Co., (Five Plants)

Whittington Pump & Engineering Co., Indianapolis, Ind.

Winter Weiss Co., Denver, Colo.





NO SECRETS

During peacetime manufacturers of aircraft closely guard their many trade secrets, but today, through recommendations of the Aircraft War Production Council's advisory committee on production (above) a free exchange of

ideas and information evolved by each individual plant is in order (BW—Apr. 11'42, p35). The open-secret policy is best exemplified by a tour of a Douglas Aircraft plant by committee members composed of engineers and production experts from eight Southern California plants.

program of building wooden barges with steel heating coils to move 50,000 bbl. per day of residual fuel oil along the Gulf Coast from Texas to Panama City, Fla., and thence to Jacksonville and Norfolk by tank car.

A \$13,000,000 pipeline from Charleston or Savannah to the Tinsley oilfield at Yazoo, Miss., is authorized in the Florida barge canal bill signed by the President last week.

This line, however, is opposed by OPC and the Army Engineers, will probably never be built.

Arnold vs. ICC

Instead of defending Commerce Commission, Department of Justice sides with complainant in suit over trucking merger.

A few days ago the District Court of the U. S. Southern District of New York witnessed the almost unbelievable spectacle of the Secretary of Agriculture joining forces with a private litigant in a suit which was, in effect, an action against the United States of America. As if that weren't rare enough, the Department of Justice, which is supposed to defend the government in such cases, came along a little while later and announced that instead of defending the U. S. it too would join forces with the private litigant against the government.

What promises to be the most mixed-up litigation in many a day also promises to show the shape of things to come in the campaign which Assistant Attorney General Arnold is cranking up against the common carriers (BW—Jul. 25'42, p17). For the scrambled suit is a case that McLean Trucking Co. is bringing against Associated Transport, Inc., and the United States of America in the person of the Interstate Commerce Commission.

• **Monopolistic Charges Preferred**—McLean complains that the ICC erred in approving the consolidation of eight big truckers into one firm—Associated Transport (BW—Mar. 28'42, p73)—and that Associated should be split up. The Secretary of Agriculture agrees, alleging that Associated is a monopolistic outfit that would harm the farmers. For his part, Thurman Arnold wants to break up what he describes as a trucking combine attached, by long apron strings, to the railroads, and in tackling that job he is seeking the scalp of Kuhn, Loeb & Co., investment bankers, whom he accuses of being behind the big trucking merger.

The history of this complicated affair is tied up with the attempt of the over-the-road truckers to pull themselves up into the bigtime by cutting out overlapping services and by consolidating facilities. The first such attempt came in 1940 when a score of Eastern firms applied to the ICC for permission to launch the Transport Co. (BW—Sep. 14'40, p26). Kuhn, Loeb & Co. was to handle the financing and also acquire some common stock. But the ICC dug

up a number of reasons for disapproval, and vetoed the idea.

• **Enter Associated Transport**—Six months later a new organization, Associated Transport, Inc., was born in Delaware. Some of the old Transport backers figured in the new setup, but ICC said that the circumstances of organization and the motives of the proponents were entirely different.

Associated at birth was composed of eight carriers, now reduced to seven with the withdrawal of Arrow Carrier Corp.

A few months after incorporation, Associated filed an application with ICC to merge operating rights and properties of the eight carriers by exchanging Associated stock for the stock of each individual company. Additionally, Associated asked permission to offer 15,000 shares of preferred to the public. Its purpose in doing all this, said Associated, was to effect \$1,600,000 worth of operating economies annually in truck transportation, speed up deliveries, and chop 14,000 miles of duplication out of a combined 38,000-mile Atlantic seaboard system.

• **Opposition Develops**—No sooner had Associated made its plea than Thurman Arnold, the Secretary of Agriculture, the National Grange, and others were up in arms. Arnold loudly yelled that Kuhn, Loeb had simply engineered a new deal in place of the old vetoed Transport consolidation. A firm owned by K-L, alleged Arnold, got 9,000 shares of Associated stock for supplying engineering and accounting data. Furthermore, Arnold went on, K-L was seeking indirectly to acquire the stock of Arrow Carrier and eventually could gobble up huge hunks of other Associated stock. Meanwhile, K-L is banker for the Pennsylvania Railroad and the Baltimore & Ohio, Arnold charged, and therefore the whole merger business was likely to wind up as a big rail-truck cartel with investment-banker control.

• **McLean Takes Action**—Now came the birth of the freak court case. McLean, an unaffiliated line, sued for a reversal of the ICC decision claiming (1) that Associated would secure domination of the rate-making machinery; (2) that it would devise rates calculated to drive McLean out of business; and (3) that it would ferret out McLean's clients and steal them.

Two weeks later the Secretary of Agriculture said amen to McLean's suit, and intervened in McLean's behalf.

It now devolved on Thurman Arnold to defend the U. S. and the Interstate Commerce Commission. But Arnold dramatically came forth with a bolt from the blue and announced that the United States in the person of the Department of Justice "admits the allegations and confesses error in the order of the Interstate Commerce Commission. Wherefore the United States of America prays the Court that a decree

be entered enjoining, annulling, and setting aside the order of the Interstate Commerce Commission: . . ."

● **ICC Against the Field**—That leaves the ICC in the position of having to defend itself not only against McLean but against two other government agencies as well. This it has chosen to do in the conviction that the Associated decision was issued only after careful weighing of the facts. For its part, Associated categorically denies the charged leveled against it.

Planes vs. Ships

Crux of controversy is that big air freighters can be built now only at the expense of other war equipment.

Demand by Henry Kaiser and Andrew J. Higgins, shipbuilders, for contracts to build flying cargo vessels is just a new rash breaking out of an old but ever hotter aviation fever (BW—Jun. 6 '42, p18).

As early as Hitler's first tirades, big-ship enthusiasts, such as Grover Loening and Glenn Martin and others, were talking up heavy air transport, but officials who could take action made speeches or did nothing.

● **A Demonstration**—Then under the pressure of war, Pan American Airways startled everybody by evacuating Chinese refugees at the rate of 500 a night on one DC-3 (making multiple trips).

The airlines here showed the Army how to move a million pounds of emergency goods a week. Such accomplishments lent credence to earlier reports of tremendous tonnages which the Germans moved by air.

Not until June 2, faced with the prospect of the submarining of Allied shipping to the critical point, did Donald Nelson appoint a special Committee on Cargo Planes. In mid-July he received the committee's report. Coincidentally came the appeal of Kaiser and Higgins, over the head of the government to the public. Nelson is now studying his report as one of his major jobs.

● **Instead of What?**—Most aviation engineers now agree that a given amount of time and metal invested in airplanes will outhaul an equivalent investment in surface ships, rolling stock, or motor vehicles. But we are too late in arriving at the conclusion. Nelson stated the real problem the other day. He said that men, machines, and materials cannot be had for any additional air cargo construction unless we take them away from something else.

Now it's up to United Nations' strategists to decide whether to take the materials and time away from merchant ships, or battleships, or tanks, or perhaps out of the hides of American civilians.

● **It Takes Time**—It would take nearly two years to put enough of present-design planes in the air to have much effect on the surface shipping problem. It would take about two years to start turning out the bigger ones now on

blueprint. Meanwhile, whatever other production we sacrificed to build the planes might set us back in the war. A bold and serious decision has to be made.

Higgins and Kaiser will get credit for their courageous imagination and for speaking up, but their ideas about building planes in shipyards will not cut much ice.

● **Matters of Fact**—Shipyard facilities are practically useless for building airplanes—and Higgins doesn't even have a shipyard yet, and because of the Maritime Commission's cancellation of his ship contract—"to some still"—he may never have one. Even if these men did get contracts to build Martin's 70-ton Mars flyingboat (BW—Jul. 11 '42, p19), for example, Martin would have to lend them men with the know-how and somebody would have to build plants. Kaiser and Higgins could add their audacity, their determined energy and their assembly-line conception of modern building to "old line" experience.

Naturally the crustaceans of Army, Navy, and merchant marine will interpose their fixations. But these old boys have been proved wrong before. Glenn Martin said the battleship had been dead for 15 years, and the Navy didn't know it. Popularly, it's thought that six months of war have borne him out.

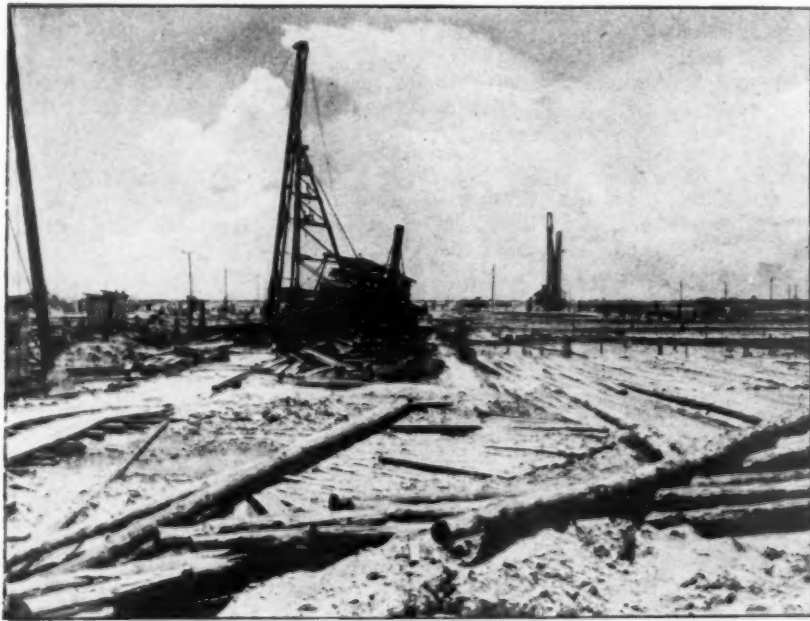
● **Materials**—Kaiser says he has a man who will sell him aluminum. He says Detroit could make engines for him. No doubt, but only at the expense of other war equipment, as Nelson has observed. Actually, big ships can be built of wood and some steel. Engines would be the main problem.

We already have about twelve cargo designs in production, ranging from load capacity of three to 13 tons. The normal payload of a plane is roughly between one-fifth and one-fourth of its gross weight, depending on range. Martin has completed engineering of a 250,000 lb. six-engine flyingboat (BW—Jun. 6 '42, p18).

All the other leading builders also have big-ship plans. Martin said it would take about two years to put his big plane into production.

● **All Over the World**—Whether or not we try to lift a big slice of shipping off the water on a grand scale, or continue the present-design cargo program of hundreds of deliveries this year, thousands next year, and on up, the United States will have airlines to every populous area on the globe when the war ends. These will be completely equipped with planes, fields, radio, and personnel.

The newly-organized Air Force Air Transport Command, which now includes Air Ferrying, is expanding the U. S. civil airlines overseas to points all over the world. This will put a new face on the old controversy about Pan American Airways' alleged monopoly, and all of our airline reciprocal agree-



A. J. Higgins never got a chance to build his shipyard for mass production of boats (BW—May 16 '42, p64) because the Maritime Commission can-

celed his contract. Now Higgins wants to build cargo planes along the same basic production methods unless his ship contracts are revived.

ments with other countries will be subject to renegotiation.

• **New Equipment**—In August the airlines will start taking delivery of airplanes in large numbers, including two- and four-engined Douglasses and the big new Curtiss two-engined C-46. Brig. Gen. Harold George, head of Air Trans-

port Command, says he expects the airline system, expanded to world-wide proportions, will be ten times its domestic extent.

Paradoxically, as they see new equipment coming at last, the lines are clamping down tighter on travel priorities—under orders from the Army. They are

not trying to conserve space but are trying to put it to the best war use.

• **For the Future**—It's still unofficial, but if you have some first-class war business and some nerve you will soon be able to buy air tickets to a lot of story-book places, on lines that now end at the rim of the Corn Belt.

WAR BUSINESS CHECKLIST

Washington's Significant Orders on Materials and Prices

• **Insignia**—Use of listed scarce metals in the manufacture of officers' military insignia is forbidden by L-131, except that limited amounts of copper are permitted in gold color insignia. Sale of insignia, except for present inventories, is restricted to post exchanges and service stores.

• **Foods**—Industrial sugar users whose consumption during some months of 1941 was cut by strike, flood, etc., may obtain an adjusted base by applying to sugar use during the corresponding month of 1940 the percentage increase in use during the "normal" months of 1941 over the corresponding months of 1940.

Price Regulation 181 establishes a formula for the pricing of new types of soup introduced as a result of WPB's tin conservation order. Formula is based on cost plus the percentage markup on similar soups in 1941.

Amendment 6 of Schedule 53 establishes definite price ceilings for 19 imported vegetable oils and seven marine animal oils and rolls back by one cent the price of inedible tallow and greases. It also adjusts the differential among various grades of tallow and grease.

An 11% reduction in canners' prices of Maine sardines is effected by issuance of Regulation 184, which sets definite prices for various sizes and styles of container and type of pack.

• **Textiles**—Cotton liners, according to amendment of M-12, may be sold only to producers of chemical cotton pulp. All orders from such producers must be accepted and filled in order of receipt without regard to priority ratings.

Surgical textiles and field jackets are excluded by Amendment 4 from the scope of Regulation 157 (military textiles) and are covered only by General Maximum Price Regulation.

Egyptian cotton, according to Amendment 1 of M-117, and American cotton of grades SPX, PIMA, and Sea Island, according to M-197, may be sold only as directed by WPB except that cotton imported or ginned before July 27 may be used for defense orders of stitching thread. Cotton imported or ginned thereafter may be sold for incorporation into goods for delivery to the services or sold to Commodity Credit Corp., or any RFC corporation.

• **Leather**—Sole leather of military quality may only be used, according to

Amendment 2 of M-80, for shoes for Army, Navy, and federal and lend-lease war agencies.

A 20% discount on hides and 15% on skins which are sold to tanners in a green or improperly cured state is required by amendment of Schedule 9 (hides).

• **Paper**—Manufacturers' prices of kraft wrapping and bag papers are rolled back about 25¢ per cwt. to the levels of last October by Regulation 182, which supersedes 129 as regards these products. The regulation sets definite prices for manufacturers and definite ceiling markups, effective Aug. 25, for distributors. A month is allowed for executing existing contracts.

Amendment 6 of Regulation 129 establishes a manufacturers ceiling of \$2.50 per 1,500 books on resale book matches free of advertising and a retail ceiling of 5¢ per box of 15 books.

• **Tires**—Members of the Army or Navy may get retreaded tires for cars used for transport from home to post of duty or on military business by Amendment 21 of tire rationing regulations.

• **Rubber**—Revised specifications reducing the crude rubber content of industrial rubber goods and of rubber footwear are provided by amendments 9 and 10 of M-15-b-1.

Rubber yarn, latex yarn, and elastic thread frozen by M-124 may be sold only to the Defense Supplies Corp., by Amendment 4. The amendment also permits use of already-fabricated thread of size 61 or finer for industrial goggles and webbing for artificial limbs.

• **Tools**—Order L-157 provides for simplification of sizes and standards of hand tools. First schedule issued under it eliminates alloy steel and reduces the number of sizes of hand shovels, spades, scoops, and telegraph spoons.

• **Cans**—Use of blackplate cans for packing is restricted, by Order M-136, to the products permitted by the tin can order, M-81, and to certain other products listed in the order and in specified can sizes. Inventories of lithographed or cut blackplate are exempt.

• **Metals**—Steel warehouses are forbidden by Amendment 6 of M-21-b to sell on ratings lower than A-1-a except for

maintenance and repair and except for nails, small pipe, fencing, etc. Carload shipments of oil well casing, pipe, and tubing may be sold without restriction.

Amendments to price schedules on zinc, lead, copper, brass mill, aluminum and nickel scrap establish a table of dollars per ton mile which may be charged for transportation of scrap in the sellers vehicle.

• **Lumber**—Revision of Schedule 13, Douglas fir plywood, establishes a ceiling price for the new "Sound 1 side" grade defined by WPB Order L-150.

Revision of Schedule 97 covering mill prices of southern hardwood extends its coverage to all grades and makes detailed adjustments of prices.

• **Transport**—Contract carrier, warehousing, and terminal services to industrial and commercial users are exempted, by Amendment 2, from Regulation 165 and brought under control of GMPR. The latter becomes effective as all contract carriers Aug. 1.

• **Construction**—Amendment 2 of L-41 permits immediate reconstruction of damaged nonresidential property pending issuance of WPB authorization, exempts certain utility structures, and exempts irrigation ditches using only earth and 12-in. drain tile.

Order M-9-c-4 forbids use of copper or copper alloys except wiring in building construction. Twenty-five pounds or less may be used for repairs.

• **Other Priority Actions**—Cellophane window cartons for food products are permitted by Amendment 1 of L-20. . . . Lithium compounds will be brought under allocation Sept. 1 by M-191. . . . WPB says there are no restrictions contemplated on Christmas and gift boxes.

• **Other Price Actions**—Machinery manufacturers on government and lend-lease orders are granted the quick appeals procedure of Procedural Regulation 6 by Amendment 1 of Regulation 136. . . . Fabricators of concrete reinforcing bars are relieved of reporting requirements by Amendment 1 of Regulation 159. . . . Core oil is exempted from GMPR by amendment 17 to Supplementary 1. . . . Broadened provisions for adjustment of individual ceiling prices are provided by Amendment 6 of Regulation 122, solid fuel dealers.

WHO KNOWS HOW TO PACK WAR MATERIALS?



WE DO.

Yes, we know how to pack war materials because we're packing many different war items every day. Hinde & Dauch has the experience, the talent, the ability, to design and manufacture corrugated boxes to meet the exacting specifications war products demand.

If you're making war materials for the armed services, turn your packaging problem over to H & D. There's no red tape, no guessing, no trial and error. We know how to pack war materials because we're packing them—hundreds of them. For fast service and complete information, write the factory nearest you.

Send for "How To Pack It"—
the authoritative book on packing.

A FEW OF THE WAR MATERIALS WE'RE PACKING TODAY

- Airplane Wing Tips
- Anti-Tank Mine Parts
- Army Cots
- Army Field Jackets
- Automatic Pilots
- Bayonets
- Binoculars
- Blankets
- Bullet-proof Gas Tanks
- Cartridge Cases
- Communication Systems
- Field Gun Yokes
- Field Rations
- Flare Fuses
- Floodlights
- Gas Mask Cans
- Gun Mounts
- Hand Grenades
- Hats and Caps
- Incendiary Bombs
- Machine Gun Reels
- Machine Gun Rings
- Mosquito Bars
- Nose Assemblies
- Practice Bombs
- Projectiles
- Rifles
- Rotary Bands
- Shell Cases
- Shell Windshields
- Skis
- Sleeping Bags
- Underwear
- Uniforms

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FACTORIES in Baltimore • Boston • Buffalo • Chicago • Cleveland • Detroit • Gloucester, N. J. • Hoboken
Kansas City, Kans. • Lenoir, N. C. • Montreal • Muncie, Ind. • Richmond, Va. • St. Louis • Sandusky, O. • Toronto.

Meat Shortage

Temporary, it affords a case study of what can happen when product is price-fixed and the raw material isn't.

Last week, newspapers blossomed with headlines about local shortages of meats, and front pages carried interviews with local packers, distributors, meat dealers, and union officials. Burden of it all was that the U. S. housewife was for the first time since the last war not able to buy the cuts she wanted, and in some towns was turned away at the butcher shop with word that the cooler was already emptied.

• **Henderson's Estimate**—Akron generated the first such reports, but these touched off similar stories practically everywhere else. The situation was more acute in some localities than in others, for assorted reasons, but in general the shortage was nationwide. By the week end, Leon Henderson was urging consumers to ease up in their meat eating for as long as necessary, was estimating that the pinch might continue for six weeks.

To meat packers, the situation was neither surprising nor particularly alarming. The industry customarily experiences midsummer price trouble, which is worse when national income is high. Last summer, the packers were needled with Thurman Arnold indictments, and enraged housewives in isolated industrial towns slapped on a few boycotts to relieve their feelings about the price of hamburger (BW—Oct. 11 '41, p. 28). This year, for understandable reasons, the trouble is extraordinarily acute.

• **Nature's Doings**—Mid-July decrease in runs of meat animals to slaughter stems straight back to the love life of the barnyard beasts. Calves, lambs, piglets arrive at only certain times of year. In the normal course of farm operations, these animated aggregations of steaks, chops, and stewmeat reach a state of maturity at which their owners can make more money by selling them to a packer than by keeping them.

By late July, the feedlot operator has generally fed out the last of his young beef stuff and shipped it to market. The corn-hog farmer has then also finished feeding last fall's pigs and sold them, as yet has not fattened his spring pigs to the profitable point. Spring lambs are pretty well cleared out of the pastures, and most spring calves have been vealed. In brief, right now is squarely between livestock crop seasons.

• **Up Goes Consumption**—Millions of city folks get meat-hungry on summer outdoor vacations. By time-honored custom, the American wage earner and his family want meat in the pot for every

meal when he is dragging home heavy pay envelopes and, no matter how high the envelope total goes, will spend a constant proportion to get it. This year, for the complete picture, add in lease-lend demand plus the increase of meat consumption by men in uniform to 250% of the average for the entire population.

It totals up to a meat demand such as has never before been experienced. Lend-lease, domestic consumption, and the Army together will this year do away with the all time record high of some 10,000,000,000 lb. of pork and about the same amount of beef, veal, lamb and mutton combined, which should be plenty.

• **A Lot of Pork**—Lend-lease takings of pork alone presumably will be 4,000,000,000 lb. Up to June 1, 1942, during the first fourteen months of its existence, which includes the earliest and least active months, the Agricultural Marketing Administration's lend-lease buying had comfortably exceeded 1,000,000,000 lb. of pork meat products, not including lard. Hog supplies aggregate 83,000,000 head, 43% above a year ago, but far below a year ago after deducting government requirements.

If there were no price ceilings, retail prices would have soared by now, and folks would have grudgingly reduced their purchases to match up with the supply. This has occurred perceptibly in the case of lamb, which is still ceilingless, so that the shopper stands a better chance of buying this at the butcher shop if she will pay the price. But beef and pork are the real big-tonnage meats, and they are both under ceilings. And so, temporarily, there simply is not enough meat to go around. The country's meat eaters are right now experiencing a demonstration of the fact that price ceilings unaccompanied by rationing can mean that some people will have to do without.

• **Livestock Prices**—Contributing to the shortage of supply right now is the circumstance that livestock prices, under the stimulus of government buying, have outrun meat price ceilings. Suspicious-minded bystanders have been heard to intimate that if there is a current meat shortage, it has been deliberately engineered as part of a strong-arm campaign to depress livestock prices, or to put the heat on Congress to authorize price ceilings upon agricultural commodities.

Actually, it is by no means so simple as this surmise would indicate. Meat packers have for weeks been losing pieces of shirttail as they have been squeezed between ceilings on their selling prices, which find quick reflection at the wholesale level, and no ceilings on the raw material they buy, livestock. The squeeze has been nowhere nearly uniform.

• **Two Points of View**—Some packers,



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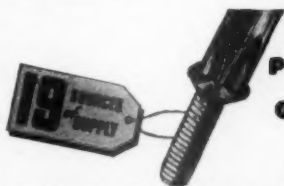
B. P. (Before Phillips). Slow-driving slotted screws required two hands to aim the screw and steady the work — and still accidents happened, causing plenty of mangled fingers or scars in the work. Always something going wrong — crooked screws — heads splitting — burrs to remove — loose assemblies. Thank goodness those days are gone forever!

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mostly the tiny fellows but including a few good-sized independents, think livestock should have a ceiling, and have been squawking loudly for relief. Others, including most of the big ones, don't want livestock ceilings.

Pro-ceiling argument is that it would relieve the squeeze upon the packer, since the boys assume—perhaps ingeniously—that any ceiling price for animals would be set as of the same date as the meat-products ceiling (March, 1942, levels, and General Maximum Price Regulation). Anticeiling argument is that a ceiling would undoubtedly be followed by a floor under livestock prices to keep the farmer's good graces for Washington when next fall's heavy runs of hogs start to market before election day.

• **Counting on Recouping**—Those far-sighted packers who meanwhile can stand the gaff are counting on making up at that time by cheaper hog prices some of the losses they have taken in the interval. (Incidentally, hog prices last week were 121% of parity and cattle were in excess of 110% of parity, according to Leon Henderson, and that ought to keep the farm bloc happy if it can be maintained.)

The unhappy story of the small independent packers is that they cannot stand the gaff until the big pig crop brings cheaper live hog markets. They are already squeezed tight between high live hogs and rigid dressed pork ceilings and doubt very much that Secretary Wickard's plan for subsidizing them with processing contracts for government-owned livestock will save them.

• **Volume Economics**—The big processors have all the equipment, the financial staying power, and the advantage of volume economies. Even with lend-lease contracts that they might handle, a better price of as much as 1½ cents still would leave the little ones with too small a margin, particularly if the live hog market should inch up a little more. This week Wickard met packers in Chicago to discuss shortages and halt closing of small plants.

The great fear of the small packers is that this squeeze marks some of them for casualties, which in turn would broaden the market of the big packers and endanger the existence of those who did survive until lower live hog markets arrived.

• **Big Slaughter Coming**—By September, what is probably the greatest hog crop ever known to the world, last spring's farrowings, will start on way to slaughter. To handle this huge volume will require every scalding tank, hog conveyor, and sticking knife in the industry, and anything less would probably cause the stream of hogs to back up all over the map.

The danger of the present situation is that some of the little fellows may fold before they get a chance at the

new crop. While a packing house is running, everything remains wet, much of it with heavy brine. Once the plant is shut down for a few days so that things begin to dry out, there comes an epidemic of rust, corrosion, and general disintegration from which it takes months of labor to recover.

• **Barley Hanging On**—Right now, many a small local packer who normally kills 100 or 500 hogs a day is keeping only a few workmen on the payroll, is killing half a dozen or a score of hogs daily just to keep the plant from falling apart. The aggregate production of these tiny plants in normal times is a sizeable proportion of the nation's meat supply.

Reason, of course, is that year in and year out, even the most efficient packers average net profits less than 1¢ a pound. But—the price of hogs climbed from around \$13 per cwt. last March to \$15.15 last week for a 22-year high. The differential of 2¢ a pound wipes out all chance of profit, leaves a deficit. And the little fellow can't take the beating.

• **Lend-Lease Barrier**—Another handicap under which he suffers is that his establishment is probably not federally inspected, hence is ineligible for lend-lease contracts. If he were producing now at even his normal midsummer pace all of his output would be helping to meet the current civilian shortage. Lend-lease pork has carried a preferential price of \$1.50 per cwt., which to the little fellow on the outside looking in seemed like a vein of pure gold. The packer who received this premium business said the \$1.50 was barely enough to cover extra costs.

What nobody denies, however, is that a fine fat volume of lend-lease orders flowing through the plant absorbs a whale of a lot of overhead, thus either leaves a net profit or tremendously shrinks the loss of operating under current market conditions. For an idea of the volume of lend-lease and military purchases, consider that, while the government states it wants 40% of all federally-inspected pork slaughtering, in some recent weeks it has taken 60%.

• **Hog Market Restrained**—To ease the pressure—and forestall the Office of Price Administration's instant yelp for a hog price ceiling—Secretary Wickard at the end of last week announced a cut of \$1 per cwt. in the lend-lease buying price in the Middle West, where most of this merchandise originates, and 75¢ in the East, effective this week. Thus, too, it was hoped to attract more hogs to the East, where supplies are especially short. The hog market dropped at once.

To assure continuation of some of the small marginal packers, Wickard promised to subsidize those who could not otherwise get along.

• **Relief Due Soon**—The present shortage of meat is obviously temporary, will be alleviated as soon as new-crop animals begin coming to market.

Our midnight-to-dawn shift may have saved this English home



F. P. G.

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If our hose did that, if it saved some of the fine things of life that must be preserved, it's worth every ounce of energy and speed we have put into this war effort... and we're thankful for an American system of free enterprise that gives every man and his company a chance to show what he can do.

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THE WAR-AND BUSINESS ABROAD

More Than Oil at Stake on Don

Russia faces loss of key food areas as well as an important supply route, which would mean added responsibility for United Nations. Submarine drive worries Washington.

Washington officials could no longer deny—after German troops occupied Rostov at the same time that their northern flank was pushing steadily on toward Stalingrad—that the United States would face a big-new supply problem if the Nazis succeeded in pushing all the way across the northern end of the Caucasus isthmus.

Though the Soviets have undoubtedly managed to store enough oil in northern Russia and the Urals to continue their vigorous defense against the Germans this year, it is doubtful if they can manage a full-scale offensive next year and keep their mechanized farms in full production, if they are cut off from the Baku oil field. And it is probably out of the question for the United States to replace more than a few special lines—some lubricating oil and possibly some high octane aviation fuel—because of the shortage of tankers and of inevitably larger British demands next year when a second front is established.

It is not true that there is no acute oil shortage in the Reich. The Germans managed very nicely on their own output (both natural and synthetic production have probably been greatly expanded since the beginning of the war) until they shrewdly swept into the Rumanian fields before they could be destroyed (or even damaged) by their British, French, and American operators.

But long supply lines in the Ukraine are maintained mainly by truck and Germany now needs additional reserves, and needs them nearer the active fighting front. Also, supplies of petroleum, products for civilian use have been cut the limit.

Hitler's immediate objective is undoubtedly to deprive Russia of its oil supplies in the hope that this will force Stalin to remain on the defensive next year when every available Axis soldier may be needed to cope with the anticipated United Nations second front in Western Europe. But ultimately the

WAR-ON THE THOUSAND-MILE FRONTS

The vast areas over which battles are raging in the Don valley and in Egypt take on a meaningful perspective for most Americans only when contrasted with a map of the United States. The scale and speed of Germany's big 1942 push in Russia acquires significance when it is realized that the Nazis in driving from Kharkov to their first big objective at Stalingrad will cover a mileage approximately

equal to the distance from Detroit to New York. And the Voronezh-Rostov front is as long as a front stretching from Duluth to Chicago, or from Portland to San Francisco. On the torrid fighting front in North Africa, the successful dash which General Rommel's forces made from Tobruk to El Alamein is roughly comparable to the distance from Cleveland to New York.



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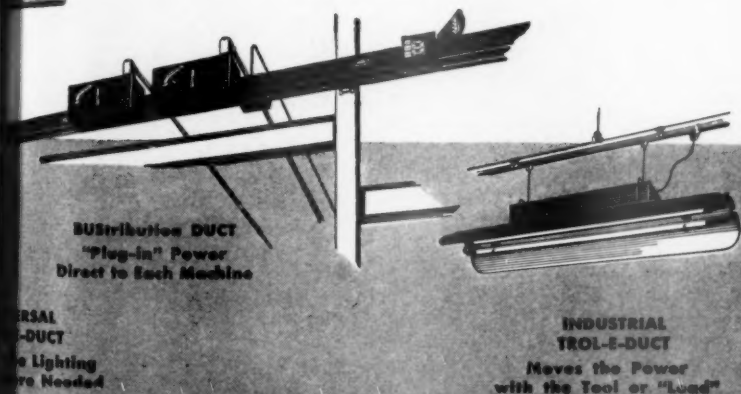
A straight line is still the shortest distance between two points. Bulldog Flexible Electric Systems deliver power and light direct to men and machines at highest efficiency—with a minimum use of war-scarce materials. They are the simplest answer to one of industry's most important problems.

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APPLY POWER AND LIGHT FOR WAR PRODUCTION

Business Week • August 1, 1942

Nazis dream of utilizing Caucasus oil and bases for a drive through Iraq and Iran to the Indian Ocean.

German occupation of all the territory west of the Don will also force Russia to call on its allies for food because it will mean that the Soviets will have lost both the No. 1 (Ukraine) and No. 2 (North Caucasus) food-producing areas.

Into Russia's Grain Belt

More than 25% of Russia's winter wheat (after the loss of the Ukraine), nearly 40% of the corn, at least 10% of the fresh vegetables, and a sizable portion of the country's remaining livestock and vegetable oil production is in the region into which German forces are now pouring and which will be pretty effectively cut off from the Moscow region if Stalingrad falls.

As Germany succeeds in reducing the flow of raw materials from the Caucasus to northern Russia, it also cuts off one more United Nations' supply route to Russia—through the Persian Gulf and across Iran to the Caucasus (BW-Jul. 11'42, p35). This will make it possible for the Germans to concentrate their striking force on the northern supply route to Murmansk and Archangel. It increases the urgency for the United Nations, if possible, to grab the German-held ports and airfields in northern Norway.

Despite two obvious efforts to dislodge the Axis in Egypt, the United Nations are still holding a line barely 70 miles from Alexandria, though their position is strengthened by having apparent superiority in the air. This advantage, however, is apparently too small to interfere seriously with the flow of supplies across the Mediterranean from Italy to Libya. Washington observers are nervous over the threat of a new Axis push in Egypt, keyed to the fresh German advance toward the Caucasus. It fits into the well-known Nazi pattern of an ultimate pincer attack on Suez.

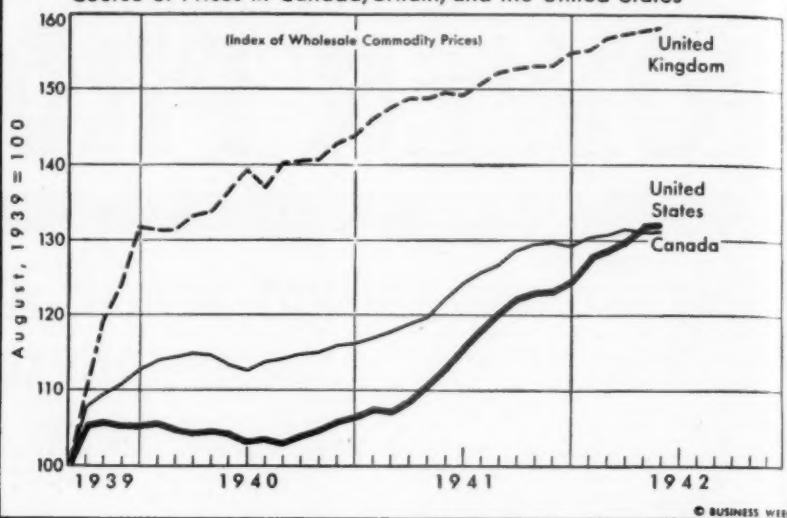
Submarine Threat Continues

Serious as the outlook is on both these fronts, neither worries Washington quite as much as the continued success of the German submarine campaign. United Nations losses still exceed new launchings by a considerable margin, and there is no evidence yet that antisubmarine measures have done more than drive the Nazi poachers a little further to sea.

The problem is especially serious in the Caribbean where the success of the U-boats may yet force the conveying of all deliveries to Latin America. Unless shipments can be expanded soon, Argentina will face an alarming steel shortage, Brazil's industrial expansion program will be jeopardized, and all South American countries will suffer from the lack of such manufactured specialties.

INFLATION AT WORK

Course of Prices in Canada, Britain, and the United States



The Dominion of Canada froze prices last December, and the United States froze them in May, but Great Britain still has no complete price control policy. As a result, Dominion wholesale prices have increased less since the out-

break of the war than either United States or British prices. But Washington's comparatively new set of price controls are beginning to get results, while London prices show a steady rise.

Coal Rights Taken

Nationalization of royalties (not of mining industry itself) clears way for drastic action in Britain's coming fuel crisis.

LONDON—On July 1, some 4,000 British subjects lost control of coal mining properties which have been paying them annual revenues—in the form of royalties—amounting to nearly \$18,000,000.

• **Time Must Tell**—The British coal industry has not been nationalized, but coal royalties have. But how much each of the 4,000 royalty owners will ultimately receive, and how soon their 26,000 claims will be paid probably will not be known for another year.

This is because of the difficulties the regional valuation boards have run into in appraising properties on which royalties are due.

That is why only a token payment was made on July, the date set four years ago by Parliament for the passing of control and ownership over Britain's vast coal reserves from private to public hands.

• **Interested parties**—All kinds of investors have an interest in the deal. The Ecclesiastical Commissioners are the biggest owners, with an annual royalty income in recent years, according to the

Archbishop of Canterbury, of nearly \$1,500,000 (£370,000).

Next in line are seven members of the British nobility: the Duke of Hamilton with annual royalties recently of £113,000; Lord Bute, £109,000; Lord Tredegar, £74,000; Duke of Northumberland, £69,000; Lord Dunraven, £58,000; Lord Durham, £35,000; and Lord Ellesmere, £26,000.

• **An Old Institution**—Coal royalties are an old institution in Britain. They are the right of the property owner to a share in the profit from coal mined on his land. But whether subsoil riches could be rightfully claimed by the owner of surface properties has been a question. Queen Elizabeth sued the Earl of Northumberland in 1568 for a share in the income of his vast coal mines, but the English courts ruled then that the landowner's rights extended to the center of the earth.

This set a precedent under English law entitling landowners to the ownership of all minerals under their soil (except gold and silver).

This decision was not overruled until in 1925, when a special commission headed by Lord Samuel decreed that unless coal mine operators had greater freedom to merge and rationalize than the system of surface ownership allowed, the industry could not much longer operate profitably.

• **Coal Act of 1938**—It was not until 1938 that Parliament, after much pressure from conflicting interests and long



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In addition to this Canada has made available to the United Kingdom as a loan, interest free for the duration, the sum of \$700,000,000, to cover part of the cost of goods supplied by Canada during the first two years of the war.

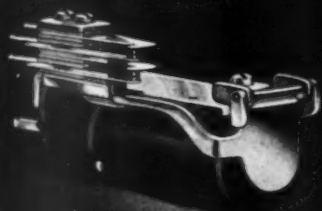
In both instances materials are sent, not money. Canada has lent . . . and is giving . . . Great Britain the sinews of war, not for sentimental reasons alone, but for Canada's own self-preservation.

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debates in both the House of Lords and the Commons, voted the Coal Act which (1) set up a Coal Commission, (2) outlined a plan for nationalizing royalties, and (3) established £66,450,000 as the total which would be paid to the owners whose royalty rights were to be handed over to the Coal Commission.

The Coal Commission is not a government organization and therefore, strictly speaking, the royalties have not yet been nationalized. Actually, the commission is a public body which has to pay its own way. It will act as the agent for the collection of royalty payments from the mine operators and from these payments will disburse, over a specified period, the £66,450,000 which the 4,000 private royalty owners have been promised.

• **Under New Ministry**—Beyond this, the commission is expected to supervise and envision the rationalization of the industry. But in practice, at least during the war, the commission is simply the operating agency for the new Ministry of Fuel and Power, which has full authority under wartime powers to direct the commission.

As a result, mine operators are not relieved of any financial burden caused by the assessment of royalties. But they are assured now that the individual whims or interests of private owners will be replaced by a policy designed to give them and the country the greatest possible coal production with the lowest cost in manpower and equipment.

• **Readjustment of Leases**—First move in this direction is likely to be a readjustment of leases in a way which will allow individual operators to follow the line of a profitable vein rather than be circumscribed by the size and direction of the surface ownership of the person from whom the property is leased. Though the systematic rationalization of lease holdings was suspended when war broke out, insiders believe that this year's long and bitter controversy in the House of Commons over the failure to take radical steps to boost lagging wartime output may lead to further action along this line.

Despite the victory of operators and the public in wresting royalty control from private holders, coal is still a political football in England, with owners and distributors fighting stoutly, and so far successfully, against a countrywide system of rationing for the duration, and against the persistent demand from miners and the unions that the industry be completely nationalized.

• **15-Year Yardstick**—Biggest rebuff to conservative interests came four years ago when, despite loud claims from royalty owners that they were entitled to £150,000,000 in return for giving up their control over the coal under their properties, a parliamentary committee decreed bluntly: "Our award is 15 years' purchase," meaning that it was approxi-

mately 15 times the annual total of royalties for the years just before the Coal Commission was formed. This amounted to £66,450,000.

To work out a plan for dividing this sum among the 4,000 owners, Britain divided the country into ten regions and assigned a fixed proportion of the £66,450,000 to each. The South Wales region got £16,446,000. At the bottom of the list was the "Southern Valuation Region" (southern England) with £1,196,000.

• **Wrestling with Problem**—In each of the ten areas, regional boards are still struggling to allocate fairly their available settlement funds among the many claimants. The war has slowed their progress. That is why nothing more than a token payment was possible on July 1.

Popular as the royalty nationalization has been with the British public, the formal transfer on July 1 attracted extra attention because of the recent production crisis in the industry.

• **Shortage Feared**—Britain scraped through last winter with no serious coal shortage. But, with increased demand from the war industries, the drain of labor for the armed forces, and the transportation slowdown caused by the need to move far larger quantities of coal by rail instead of distributing it by coastal steamers, it became obvious this spring that an acute shortage was likely to develop by next winter.

Three proposals were advanced. One was to speed up the rationalization of production under the powers already entrusted to the Coal Commission. The second was to demobilize experienced miners. And the third was to introduce immediately a countrywide rationing program.

• **Obstruction Encountered**—Except for the demobilization of 6,500 miners and the creation of a Ministry of Fuel and Power, this plan was abandoned because of what The (London) Economist branded as pressure from "a phalanx of Conservative back-benchers (which represents) some of the most unprincipled, most unintelligent, and most arrogantly opinionated opposition that even this House of Commons has ever witnessed."

As a result, England is almost certain to run into a coal shortage this winter which will force a full reconsideration of the proposals.

• **Ministry's Cue**—The more serious the shortage becomes the more likely it is that the new Fuel and Power Ministry will be encouraged to exercise the radical wartime powers already in its hands.

In any such program, the fact that the coal properties are now completely controlled by a public agency such as the Coal Commission means that one of the oldest and most troublesome barriers to rationalization—private ownership by 4,000 diverse groups and individuals—is out of the way.

Tighter Controls

Canada's intensification of its war effort affects everyone from plane builders to makers of nail polish and rouge.

OTTAWA—Canada tightened up its war production this week in moves that affected everyone from plane manufacturers to cosmetic producers.

• **Planes**—Canada will build more hell-divers for the United States. Some months ago Canadian Car & Foundry Co. was awarded one of the largest contracts yet placed in Canada by the United States. It was for dive bombers like those being made in the United States by Curtiss-Wright Corp.

Now, Canadian Car & Foundry has licensed Fairchild Aircraft, Ltd., to build the same planes, and at the same time has enlarged its contracts with the U. S. government. Fairchild is already building Bolingbroke twin-engine bombers. This week the first Canadian-built Consolidated PBV patrol bomber was launched at one of the Dominion's new wartime plants.

• **Rubber**—Canada is planning to make its own synthetic rubber. At the Sarnia, Ont., headquarters of Imperial Oil, Minister Howe's Department of Munitions and Supply has established an experimental station to determine the relative merits of petroleum and alcohol as a source material for artificial rubber. Canadian authorities favor the use of alcohol because the Dominion has a huge wheat surplus and inadequate storage facilities.

• **Installment Problem**—Beginning Aug. 1, Donald Gordon's price control administration is imposing a fresh curb on credit buying. Down payment of one-third of the total value of wearing apparel purchases (including haberdashery, lingerie, hats, and hose) will be required, with a minimum deposit of \$5. Credit on such purchases is limited to six months.

Buyers of furniture must make a cash payment of 20% instead of 10%. The maximum credit period on furniture is one year. The 20% minimum applies to pianos, but the payment period on these is extended to 18 months. A seasonal credit limit of \$150 is allowed for farmers, fishermen, prospectors, hunters, and trappers.

• **Wholesale Deliveries**—Restrictions on deliveries by wholesalers becomes effective Aug. 3. After next Monday they cannot deliver nonperishable goods oftener than three times a week, and orders worth less than \$3 cannot be delivered. Retailers are barred from using their own vehicles to pick up goods from wholesalers except on days when wholesalers are permitted to

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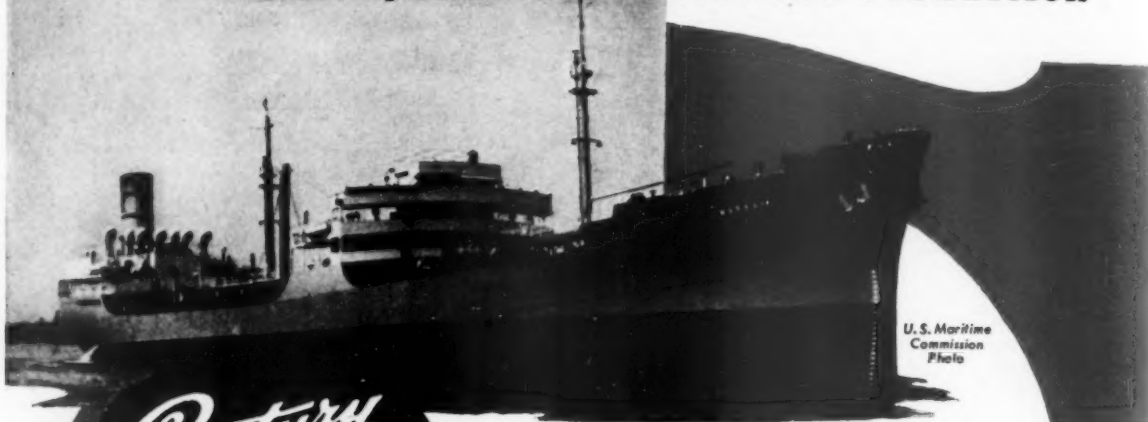


PLOMB TOOLS CONTRACTING CO. • A Division of the

PLOMB TOOL COMPANY

L O S A N G E L E S

**American Production is Speeding the Day of Victory—
And Century Electric Motors Aid Production**



U.S. Maritime
Commission
Photo

**Century
MOTORS**

Built According to Many "Sea Going" Specifications

Century Motors are playing their part at sea as well as ashore in various climates, from the wintry seas of Iceland to the humid climate of the South Pacific Ocean.

Century Motors for such vital uses are available:

1. For indoor and outdoor installations
2. With drip proof, splash proof, enclosed, enclosed fan cooled, explosion proof, weatherproof protection
3. Alternating and direct current
4. And as motor driven AC and DC generator sets—for normal low, standard, and high voltages—1/20 to 400 horsepower, 50 watts to 200 kilowatts.

This wide range of types and sizes of Century Motors and Generators makes it possible for the engineer to easily select the right motor or generator to exactly meet various application requirements and surrounding conditions.

The dependable performance for which Century Motors are famous is serving American Wartime industry, too, in thousands of industrial applications. Your nearest Century Sales Engineer will gladly add his extensive experience to help you select the right electric motor. He is on call every day of the year.

CENTURY ELECTRIC CO.

1806 Pine Street

St. Louis, Missouri

Offices and Stock Points in Principal Cities



263

One of the Largest Exclusive Motor and Generator Manufacturers in the World

deliver. Exempted from this order are raw materials, builders' supplies, contractors' machinery, and all kinds of deliveries to transport services.

• **Use of Trucks**—The same order prohibits wholesalers from selling without firm orders. The use of trucks as a means of transportation for salesmen and collectors is barred, but a truck driver may pick up an order or accept payment of an account.

Restrictions on retail deliveries, imposed early in May, have resulted in gasoline savings as high as 50% and control authorities anticipate corresponding economies in deliveries.

• **Dollar Delivery Limit**—The 3-months' old restriction of retail deliveries to minimum purchases of \$1 has brought in an avalanche of protests from householders. As a result, retailers are now going to be allowed to deliver club orders when they amount to \$1 or more from the same office, or factory.

• **Cosmetics**—The simplified practices division of Canada's price control administration has at last forced drastic restrictions on the cosmetics industry. This includes the limitations of shades of nail polish to six, odors of perfume and toilet waters and talcum powders to four, and shades of rouge to four. Manufacturers are barred from changing trade names, brands, shades, odors, and sizes of containers without permission, and the manufacture of sample sizes is barred.

• **Manpower Policy**—Enactment by Parliament of legislation empowering the government to impose conscription for overseas army service is likely to result in a rapid tightening up of Canada's industrial manpower policy. Ottawa so far has carefully avoided transferring workers from civilian plants to war industries. But now that conscription has been authorized by Parliament, insiders anticipate that a policy committee will be set up to draft a plan for meeting the labor shortage in war industry by progressive drafts from civilian industry.

Requirements of the armed services and of war plants are placed at 250,000 for the next five months and, as there are only about 60,000 employables on the waiting list in this country, approximately 200,000 workers for these jobs have to come from civilian plants or from the ranks of unemployed women.

IMPORTED WORKERS

The question of bringing Latin-American workers to the United States to replace our draft-depleted manpower has been raised again. Instead of considering a plan to bring workers from all over Latin America, as was discussed in some circles a few months ago (BW—Apr. 18'42, p5), the plan is restricted to Mexico and probably won't include more than 5,000 workers.

PRODUCTION

Nylon Fleece

Byproduct of war work is being hailed as a natural for coats, robes, and blankets. Many advantages are claimed.

The ill wind that snatched nylon yarn away from manufacturers of women's stockings and lingerie to supply the armed services with parachutes has now blown back some good—nylon fleece. Made from the waste leftovers of war production, nylon fleece is a natural for many items, notably, men's, women's, and children's coats and bathrobes, and all kinds of blankets. Government restrictions on the use of wool now imperil the supply of quality merchandise in these lines.

• **Heavy Promotion**—Developed in the laboratories of Cohn-Hall-Marx, big volume fabric manufacturer, nylon fleece already is getting heavy promotion in women's and children's coats. Around 500 top-notch department stores and

specialty shops across the country are pushing these. Some have also introduced the new fabric in yards goods departments.

Before fall, it probably will turn up in men's and boys' topcoats, blankets (particularly football blankets), gloves, hats, and bathrobes.

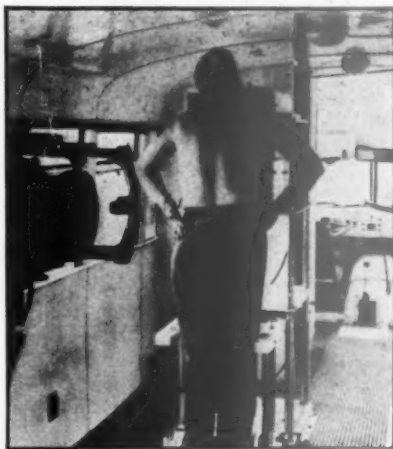
Most modest claims made thus far for nylon fleece are that it is moth proof, water and stain repellent, warm in winter, cool in summer, wear-resistant to an extraordinary degree. Cohn-Hall-Marx, which also manufacture wool yardages, is making no invidious comparisons, but opinion is that it offers practically as much warmth as a comparable woolen fabric.

On the score of the new fabric's water-repellency, the company claims that its laboratories played a stream of water on a piece of the fleece for four days without penetrating the pile.

• **Takes Dye Readily**—In appearance, nylon fleece resembles a good-quality camel's hair fleece. Significantly, the fabric will take practically any dye. The biggest drawback to nylon yarn has been the difficulty of making it take, and

ROVING X-RAY

Scores of periodic X-ray examinations of TVA employees are being made daily in a traveling X-ray laboratory, mounted on a standard bus chassis. The Authority expects to improve health standards of workers, particularly through lung examinations. Technicians are making radiographs on standard 14 x 17 in. films. Also, as an experiment, they are making duplicates using 35 mm. (movie-size) film. This, if successful, will not only cut film costs but storage space.



hold, a bright color. The new material wholesales for \$3.85 a yard, retails for around \$7. Women's coats of the fleece are now retailing for around \$45 and \$50. This is comparable to the price of a good wool coat, cheaper than a top-quality camel's hair.

• **For All It's Worth**—Nylon is a word to conjur with in merchandising circles, so plans are under way to boom the new fleece for all it's worth. The shortage of good woollens and the fact that nylon fleece is a byproduct of war production—so that its use cannot be construed as unpatriotic—will add an extra fillip.

Such ranking fashion magazines as *Vogue*, *Harper's Bazaar*, *Mademoiselle*, and *Town & Country* already have given the fleece full-dress promotions, or have them in the works for their next issues. Retailers are pushing it.

• **Used by Three**—So far, three apparel manufacturers are using nylon fleece. Chapman Wraps, Inc., is making women's coats; Rosenblatt & Kahn is making children's coats; and Aris Gloves, Inc., is getting ready to introduce it in gloves. Cohn-Hall-Marx has announced, however, that it does not intend to sell the fabric exclusively to one manufacturer in each line. Retail distribution is also wide open.

Cohn-Hall-Marx has no exclusive patents on nylon fleece, which is made like any wool or camel's hair fleece. However, between the government contracts which the company holds and the nylon waste it has been able to obtain from other war contractors, it is in a pretty good position to supply large quantities of the fleece.

• **Apparently Enough**—There's apparently going to be enough fleece to supply civilian demand (within the relatively high price range in which it is now sold). Cohama offered the fleece to the government when it was first developed, was told that it wasn't needed.

When Cohn-Hall-Marx set out to find what it could make of the odds-and-ends of nylon waste, the hope was that it would be possible to produce a nylon velvet. The company's technicians had already decided that the only thing they could make from the chopped-up waste was a pile fabric. A satisfactory velvet was never developed, but this hope was discarded without regret when Cohama found it had something which, with the addition of a knitted cotton backing, could be placed on the market as a quality fleece.

RECLAIMING PRINT-METAL

Because the chief engineers of its big Springfield, Ohio, printing plant developed a new method of separating and reclaiming nickel, copper, and type-metal from nickel- and copper-faced printing plates, Crowell-Collier Publishing Co. has not been in the copper market for nine months, finds it can

recover all three metals more cheaply than it can buy them.

Roughly, the method calls for seven steps: (1) clean plates thoroughly in a solvent; (2) deplate any nickel-facing back into solution by reversing electroplating methods; (3) melt type-metal out of the copper shells in a melting pot; (4) separate the copper shells from their tinfoil backing by an undisclosed method for which patents have been applied; (5) melt and cast the copper into anodes for electrotyping new plates; (6) plate the deplated nickel out of solution onto stainless steel cathodes in the form of a nickel powder; (7) compress the powder into nickel anodes which exhibit superior "throwing characteristics" when it comes time to use them for plating a nickel coating over plates used in gravure and letter press printing.

Crowell-Collier has licensed Cuneo Press, Inc., to establish job reclaiming plants in Chicago, Philadelphia, and New York.

Bottle Cap Bust

Scrap tin looked like the answer to the bottlers' prayers until the public heard where scrap was going.

How to maintain a steady supply of bottle caps has been the current nightmare of the bottling industry (BW—May 2'42, p19). Concerns in several cities believed they had the problem licked last week until the hot glare of indignant publicity melted their fond hopes.

• **Tin Can Bonanza**—Worried over dwindling stocks, and unhappy over suggested substitutes for the popular lithographed tin caps, the bottlers were on the hot seat until someone came up with the bright idea of using discarded tin cans as a source of material to keep stamping machines going.

Uncertain whether the idea would meet with new government emergency regulations, the bottling men unfolded their problems before WPB officials, and won permission to go ahead. The next step was establishing a steady source of large tin containers.

• **Supply Secured**—With hotels, apartments, hospitals, and public institutions seeming a logical and natural source, bottlers' agents spent several days lining up arrangements, then the plan went into action. In Baltimore, bottlers were reported paying 4¢ per container, and in Philadelphia, paying monthly fees—or getting them for nothing.

Everything went smoothly until the Philadelphia Council of Defense's salvage committee noticed that its weekly tin can collection slumped from an average 60 tons to 50, and wondered why. The committee members back-tracked,



PROP PAINTING

Innovation in painting is a series of powerful suction ducts which draw excess paint from propeller blades manufactured by Nash-Kelvinator Corp. Fine weight limitations require the thinnest possible covering. A primary coat, a midnight black finish and a yellow tip are sprayed on to form a non-reflecting protective covering weighing only a few ounces. At the rear of this illustration of the operation can be seen an artificial waterfall, into which the excess paint spray is drawn. Conveyors then carry the propeller blades to batteries of infra-red lamps which dry the paint in five minutes.

and found quite a few of their best contributors, including Girard College, and the U. S. Quartermaster Depot, had failed to chip in their scrap. When they found out why, things happened.

• **Bubble Breaks**—Howard A. Medholdt, committee chairman, and proud of the city's salvage totals, termed the action sabotage, but with WPB approving the deal, admitted he was helpless. And with nothing apparently in the book to prevent bottlers from buying scrap, or institutions from selling it, it looked like clear sailing for bottle caps—until the newspapers broke the story.

Outside of reluctantly admitting its approval, WPB said little about the situation.

• **Reversal**—Within a few days after the news stories, Herbert L. Gutterson, chief of WPB's conservation division, sent out telegrams to the entire bottling industry and brewers through trade associations, asking them to desist from making collections in towns where salvage drives were in progress. The suppliers, in view of the unsavory publicity, wasted no time in announcing they would continue to contribute scrap.

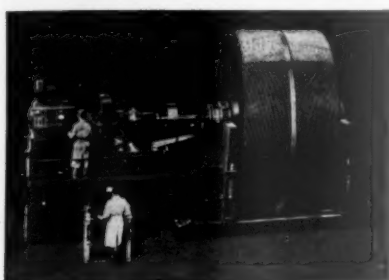
NEW PRODUCTS

Magnetic Maps

By the simple, but probably patentable, expedient of mounting practically any size of map on a thin steel backing and providing magnetic markers in a variety of sizes, shapes, and colors to fit special conditions, C. S. Hammond & Co., 440 Fourth Ave., New York, achieves Hammond's Magnetic Maps for sales managers, airports, ship lines, etc. Markers cling tightly in place, yet can be changed instantly without leaving unsightly marks of former locations.

Balancing Machines

The over-all range of the Gisholt Dynetric Balancing Machine line for correcting both dynamic and static unbalance in rotating parts—and thus reducing vibration and prolonging life—has recently been broadened to extremes of 1 oz. and 50 tons. The big new floor-type machines will balance parts up to 100,000 lb. in weight, 240 in. length, and 200 in. swing. The smallest Type S Dynetric has been redesigned to balance parts weighing as little as 1 oz. Both

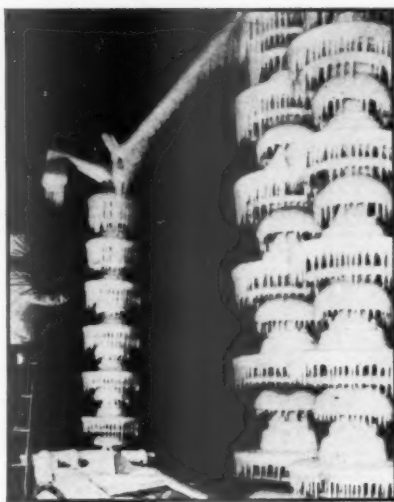


products of Gisholt Machine Co., Madison, Wis., are pictured together, the larger machine balancing a 50-ton marine reduction gear of 16 ft. 8 in. diameter and 7 ft. 4 in. face width.

Conversion Grates

If your home furnace is equipped with a standard gun type oil burner, and you reside in a locality where the fuel oil supply is likely to dry up, you can convert it to coal operation with the Convert-O-Grate, and still go on burning oil as long as you can get it. The new product of Anchor Fence Co., Baltimore, consists of a series of special grates which fit on top of the fire box and burn pea-size anthracite.

The oil burner blower furnishes air for combustion, responding to the thermostat as though it were burning oil. Ashes drop through the grates and are removed a couple of times a week through a door cut in the furnace side. When oil is available at any time, remove the grates, resume oil operation.



ORDEAL BY ICE

To make sure switches will operate satisfactorily when encrusted with ice and snow, a Westinghouse engineer tests a giant power-driven switch in a refrigerated laboratory. The switch, only one-third of which is shown, handles 230,000 volts and 1,200 amperes, and will be used by a chemical plant in the West to open high-tension circuits during repairs.

MARKETING

Subsidy Squawks

Lazo suggests that all strings be cut on government funds for price ceilings, but Willis opposes grant in any form.

Two months ago Hector Lazo, president of the Cooperative Food Distributors of America, took a temporary job with the Office of Price Administration as head of the Trade Relations Branch of the Retail Trade and Services Division. A few days ago, his term of office over, Lazo hammered out a 67-page monograph labeled "Subsidies as a Solution for the Squeeze" (1920 47th St., N.W., Washington, D. C.; 50¢). Its theme: that subsidies are the cheapest way of keeping prices within their ceilings. Scarcely was Lazo's monograph released than another critical appraisal of the subsidies problem was issued by another big figure in the food trade, Paul Willis of the Grocery Manufacturers of America.

• **What's Wrong with Subsidies**—Perhaps more important than his argument,

however, is the author's documentation of the reasons why the food industry time and again has squawked that it doesn't want any government money in its cash register. Lazo was on the scene when the canners, in particular, turned their backs on subsidies.

The story of this somewhat surprising turnaround, as recorded in the new publication, began in late spring when food processors descended on Washington with the plea that higher costs made old ceilings ruinously low. So they proposed that the ceilings be uniformly lifted by the amount of the new costs. That is, if canned corn cost 36¢ a case more to produce, then the canner, wholesaler, and retailer should be allowed to pass this extra 36¢ cost along to the consumer.

• **Two Alternatives**—OPA promptly turned this suggestion down and, together with the Department of Agriculture, drafted a substitute plan. Under this plan (BW—Jun. 27 '42, p. 7) vegetable canners will be allowed price boosts of 8% to cover increased processing costs and an additional percentage to cover higher raw material costs on the 1942 pack; but these price boosts will not filter through to the distributive levels, for if the trade refuses to buy at the advanced levels, the Department of Agriculture will purchase new stocks at 92% of the canners' new ceiling prices and then resell the goods at the highest bids to wholesalers and retailers who, in turn, will be compelled to observe the old ceilings set under the General Maximum Price Regulation. Under an alternative plan, if trade resistance to the increased prices forces canners to sell at less than the 92% figure, the Department of Agriculture would make up the difference.

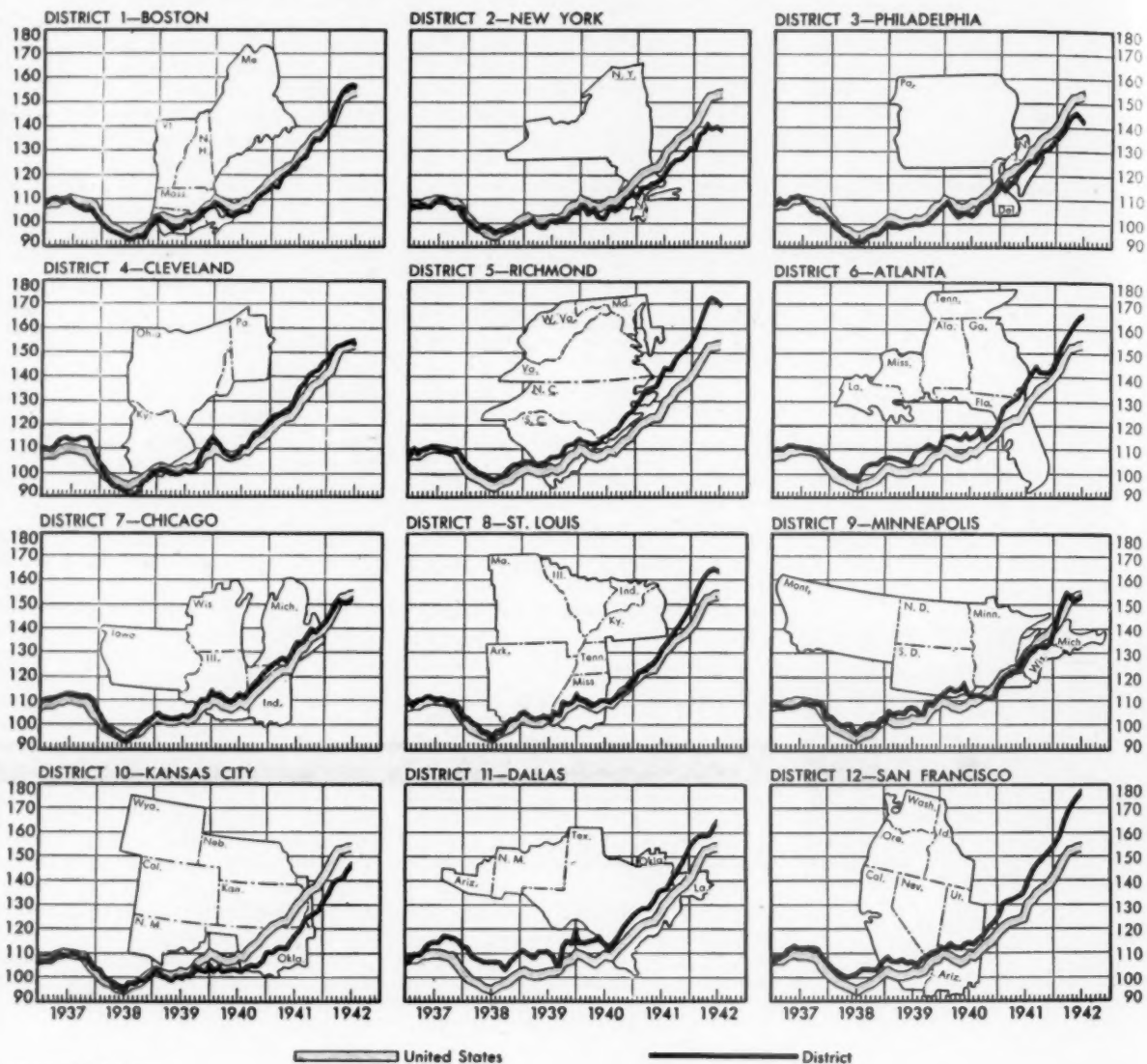
• **Nobody's Satisfied**—The entire food trade objects to the plan, which is still under discussion, because it leaves many loopholes for squeeze plays and, at best, substitutes subsidies for established pricing practices and profit margins which they would much prefer to keep intact. Furthermore, they object to the first alternative because they fear that putting their merchandising in the hands of the Department of Agriculture may lead to a loss of brand identity; professional reformers might make government support of the market contingent on grade labeling.

The second alternative is displeasing to the whole trade because it is too complicated.

• **Fruit Men Force Issue**—Despite these objections, when the fruit canners, like the vegetable people, pleaded for new ceilings a few weeks later, OPA would have rammed the same plan down their throats except that OPA's army of lawyers by this time got the jitters. "Subsidies," says Lazo, "were not made available because government officials believed that until the fruit . . . should

BUSINESS WEEK'S REGIONAL INCOME INDEXES

A month-by-month account of the trend of purchasing power in the country's 12 Federal Reserve Districts (1935-37=100, adjusted for seasonal)



THE FIGURES:

District	*June	†May	June 1941	District	*June	†May	June 1941
United States	155.7	155.4	131.4	United States	155.7	155.4	131.4
District 1—Boston	157.1	157.6	126.8	District 7—Chicago	153.7	151.7	134.6
District 2—New York	139.8	140.8	121.8	District 8—St. Louis	164.7	165.6	132.5
District 3—Philadelphia	143.0	144.9	127.1	District 9—Minneapolis	155.0	153.3	129.4
District 4—Cleveland	154.2	155.6	135.9	District 10—Kansas City	148.0	145.4	118.0
District 5—Richmond	170.0	171.8	144.1	District 11—Dallas	166.1	163.5	136.9
District 6—Atlanta	166.8	165.8	139.5	District 12—San Francisco	177.9	174.9	138.3

*Subject to revision.

†Revised.

©BUSINESS WEEK

From May to June, the national average of Business Week's Regional Income Indexes advanced 0.3 points. But, month-to-month changes in the 12 Federal Reserve districts varied sharply. Six indexes registered gains: the four western districts—Minneapolis, Kansas City, Dallas,

and San Francisco—jumped 1.7 to 3.0 points; Atlanta was up 1.0; and Chicago 2.0. On the other hand, St. Louis and the five eastern districts—Boston, New York, Philadelphia, Cleveland, and Richmond—were off, the declines ranging from 0.5 to 1.9 points.

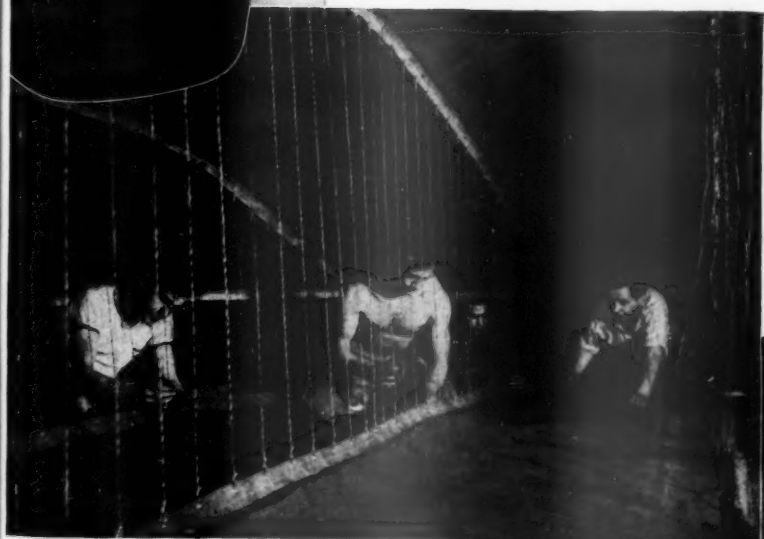


Birthplace for Air-Whales. Gigantic barrage balloons which look like whales-of-the-air, are made by General Tire in this huge room. At rear, balloon is being folded into shipping container; center, inflated balloon has passed final inspection; right, balloon is being deflated; foreground, assembled balloon awaits final fitting and inflation.

★

Fin Shaping Cords. Inside fin, workers check the ropes which give fin its shape and hold it together. Non-rigid, General balloons rely on these ropes as their "backbones."

★



★

Reinforcing the Fins. Double reinforcements are being put on the right fin of a completed General balloon. Every seam must be gas and air tight.

★



VICTORY WILL COME WITH THE RUBBER YOU SAVE

reach the parity formula as laid out by Congress in the Price Control Act of 1942, the Department of Agriculture could not use Commodity Credit Corp. funds to subsidize the pack at 92% or any other percentage figure." Instead, OPA was perforce obliged to accept the fruit canners' plan and lift all ceilings—including retail (BW—Jul. 11 '42, p15).

• **Needed: A New Law**—Thus, what Lazo has essentially pointed up, is that businessmen are afraid of government support because it may have strings tied to it or be too unwieldy to lend prompt relief. Anyhow, he says, the current maze of legislation is so vague that it would be better to start with a clean slate in the form of a brand new subsidy act. That, in Lazo's opinion, should specify:

An administrative body with businessmen well represented—and no professional reformers; prohibitions against using subsidies to push prices down too far; guarantees that subsidies will not force sellers out of old trade channels into new trade channels; equal distribution of such burdens as allocations, inventory-control, etc.; establishment of a special commercial court of review; definite guarantees what subsidies will end with the war; guarantees of politically-free funds for the commercial court of review; and application of subsidies at the primary source to keep their amount down.

Although businessmen have been too scared (or too well stocked with inventory) to ask for subsidies thus far, Lazo believes that removal of the "squeeze" must soon be brought about for the following: soap, vegetable shortening, paper products, meat and meat products, coffee, and a sizable list of packaged foods.

Subsidies Unwanted: Willis

At the same time that Hector Lazo released his proposals for making subsidies work, Paul S. Willis, president of the Grocery Manufacturers of America, Inc., issued to the press a four-page statement damning them in toto.

Said Mr. Willis's letter, "... the (food) industry is unalterably opposed to subsidies. There are many cogent reasons why we don't want subsidies. The most important is that subsidies are in direct conflict with the American system of free enterprise. They are a hidden method of collecting money through taxation, which Mrs. Housewife pays anyway. They are no saving to the public. On the contrary, they involve the enormous added expense of administration. Subsidies involve long and uncertain delays in handling by government bureaus. They open the door to favoritism and inequities, and they stifle individual initiative and efficiency."

• **For Passing on Costs**—As the alternative to subsidies, Mr. Willis reiterated

the proposal the food industry has already made to OPA: that distributors be permitted to raise their March ceilings by an amount equivalent to the dollars and cents increase in their replacement costs. To illustrate his point, Mr. Willis used the hypothetical case of a wholesaler who offered retailers a price of \$1.97 a case in March, based on the manufacturer's price to him of \$1.90 a case, prior to February. But in February, the manufacturer's price went to \$2.00 a case. Thus, GMPR forces the wholesaler to sell his retailer



TIRE CONSERVATION

In line with the Office of Defense Transportation national truck conservation program, Mayor Edward Jeffries of Detroit affixes the first official "U.S. Truck Conservation Corps" seal to one of the city's water trucks with the aid of a tire distributor for U.S. Rubber.

customers at a 3¢ loss per case once he has cleared out the stock he bought at \$1.90.

Claim put forward by Mr. Willis is that as a result of squeezes similar to this, some 400 grocery items now have a replacement cost for distributors which is out of balance with their frozen ceiling prices. Under his solution, the hypothetical wholesaler would be allowed to jump his price to retailers 10¢ a case, and retailers would be allowed to pass this 10¢ on to their customers.

The Willis letter was prepared before the food trade had had a chance to look over the Lazo study. But indications are that Mr. Lazo's proposals for tying assorted strings to the administration of subsidies make them little, if at all, more palatable to the industry.

Catalog Time

Mail order offerings for fall and winter show impact of war economy. Some entire lines are missing from lists.

The throaty contralto of an Ethel Barrymore, saying, "That's all there is, there isn't any more," would have been appropriate around Chicago mail order houses last week as fall and winter editions of their 1942 catalogs hit the mail sacks.

• **Going and Gone**—For it was becoming apparent that a lot of merchandise could be had only through priorities, that some remaining stocks were becoming short, and that many items were no longer available at all. Sears, Roebuck & Co. cited 103 items and some entire lines that could not be had, while Montgomery Ward & Co. listed 44.

Each, however, had still available a few numbers no longer in the other's stock. Sears had (and Ward did not) garden hose, bathtubs (on priority), binoculars, camp cots, day beds, inner-spring mattresses, steel septic tanks. Ward had (and Sears did not) coffee makers, corn poppers, curling irons, fans, food choppers, grinders, hair clipper, hair dryers, heaters, irons, motors, paint sprayers, radios, roasters, toasters, waffle irons.

• **Short Lines Kept for Stores**—Reason for disparities, it was said, is merely due to difference in inventories, with both houses choosing to liquidate lines on which they are short through their retail stores rather than listing them in long haul catalogs.

Sears decreased the size of its catalog by 196 pages, roughly 15% from the same edition of last year. Ward's is up 26 pages, but would be down 22 pages were it not for the addition of 48 pages devoted to Hallmark Brand furniture. More copies of both books will probably be distributed in urban communities than ever before. Reason for this is the movement of war workers, also the tire situation and gas rationing.

• **Help with Priorities**—Priorities smack the mail order buyer right in the eye as they do every buyer. To aid the distressed country brother far from the fatherly advice of city rationing boards, Sears offers the neat trick of printing priority forms alongside merchandise copy, handy to clip like coupons. Ward tucks its forms in with the order blank.

Sears meets the question of price ceilings with a 20-page appendix which lists 17,535 items which are below levels established with the Office of Price Administration. Chicago Mail Order Co. announces that more than 50% of its prices are below ceiling levels. Ward covers the point by an insert



STERN REMINDER

As a daily reminder to its workers that they are soldiers of the production lines, the Paraffine Co. has erected a replica of a war-zone trench at the main entrance of its Oakland, Cal., plant. Incidentally, labor-management cooperation at Paraffine, which has permitted C.I.O. men to be replaced temporarily in A.F.L. jobs, and vice versa, has increased labor efficiency as much as 12% in certain departments, according to company officials.

declaring all prices in the catalog are in accord with government price ceiling regulation. All mail order prices are based on the March retail prices minus the "normal differential" that exists because of lower costs of distribution by mail order.

• **Expansion Efforts**—With the shrink on standard mail order items (Ward has only one page of firearms, listing five shotguns, carries but eight radios) the efforts to expand other departments makes interesting reading. As a starter, Ward plunges into 160 pages of fabrics and fashions and gives 97 pages to furniture, including the 48 for the high-quality Hallmark Brand, which is thus graduated to big league circulation after several years in its own specialized catalog. Unpainted furniture gets 8 pages, linoleum 13, vitamins and popular pharmaceuticals 14. War workers get a nod with 3 pages of slacks.

Sears counters with a complete line of work clothes for women, gives additional catalog promotion to shoes. Chicago Mail Order Co. replaces living room furniture, davenports, and matching chairs, pushes double utility furniture—studio couches, chair beds, furniture scaled for smaller victory homes.

A pass is being made at the luxury market through promotion of sterling silverware.

LABOR & MANAGEMENT

New Federation

Conference of Independent Unions, tentatively organized in Chicago, flings direct challenge to C.I.O. and A.F.L.

Last week end's two-day Chicago meeting of unaffiliated independent unions (BW—Jul.25'42,p86) brought a turnout of 105 delegates who claim to represent 750,000 members in ten states.

• **M.E.S.A.'s Project**—All expenses of this meeting were paid by the Mechanics Educational Society of America, but henceforth there will be a tax of 3¢ per capita membership on all unions admitted. The men and women behind the powwow called it more as a feeler than in the expectation that a single conference could weld all of the big independent labor outfits into a cohesive whole. The best they hoped for was a start off dead center.

Stated purpose of the new organization is "to give independent unions the numerical and financial strength necessary to take their rightful place in the organized labor movement, including representation on various governmental bodies, both state and national, and distribution of information and statistics on wages, hours, and other conditions of employment in various industries."

• **Stronger Motivation**—Also in prospect is a course of coaching in the technique of collective bargaining. By Sunday afternoon's adjournment it was clear to even the more tough-minded observers that this try at forming a third nationwide labor federation stands a better chance of success than did previous attempts, if only because there is a stronger motivation.

Since such attempts began a few years ago, the National Labor Relations Board has outlawed as company-dominated a lot of independent unions—including such big ones as the International Harvester groups at major plants—and has accordingly thrown up their membership for grabs by A.F.L. and C.I.O.

• **Seeking Strength in Fusion**—Not overlooking such omens, officers of surviving independent unions decided that they had better get together in a working alliance strong enough to keep Messrs. Green and Murray from swallowing up their outfits one by one. They see an especial need for resisting domination of labor representatives at Washington by the two big federations.

The new federation is christened the Conference of Independent Unions,

pending selection of a better permanent name. Only those unions will be admitted to membership which can convince a cynical credentials committee that they are militant organizations entirely free from company domination.

• **Interim Program**—At Chicago, the new group signed up a considerable membership tentatively and decided on an interim program to keep its officers occupied until a formal organizing convention, scheduled for Oct. 2-4. In that meeting, which will also be at Chicago, the member unions will be represented by one delegate for each thousand members, and a constitution and by-laws will be drawn up.

Keynote of the C.I.U. is "direct competition and open conflict" with A.F.L. and C.I.O. Its four-point program adopted last week end is no less acrimonious than some of Westbrook Pegler's saltier essays on the misdeeds of Bioff and Scalise.

• **Direct Challenge**—This program provides that the new federation will:

(1) Make all decisions and appointments by democratic vote of rank and file members.

(2) Frame a constitution within which racketeers cannot operate.

(3) Set up a Washington office manned by people capable of representing labor's best interests.

(4) Frame its constitution and by-laws chiefly to make provisions for scientific organization of all workers in America and to guard against the possibility of any officials' building an organization to perpetuate themselves in office.

• **Headed by Smith**—The executive committee set up to keep the ball rolling until October consists of three strong leaders. Temporary president of the C.I.U. is Matthew Smith of Detroit, secretary of the Mechanics Educational Society of America, which has built a membership of 42,000 in Michigan and Ohio, in hammer and tongs competition with the C.I.O.-U.A.W.

Temporary secretary-treasurer is Donald Cameron of Milwaukee, director of the Associated Unions of America, which is a bargaining and contract-drawing federation of Wisconsin independent unions. It includes the union of Kimberly-Clark workers in four major paper mills four-wheel-drive truck factory workers, Cutler-Hammer's office workers, the Petroleum Workers of Wadham's Oil Co., a Socony-Vacuum subsidiary, plus several small unions in metal working and other industries.

Third member of the committee without official title is Ernest Weaver, national president of the Association of Communication Equipment Workers, part of the Western Electric Independ-

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ent Labor Association. Other independent unions in attendance included Milwaukee's Assn. of Office, Sales and Technical Employees of three public utilities, Brotherhood of Railway Trainmen, East Coast Alliance of Independent Shipyard Unions, National Federation of Telephone Workers, Post Office Clerks Assn., Society of Tool and Die Craftsmen, United Federation of Labor, and United Brotherhood of Welders, Cutters and Helpers.

Some of those present, notably the trainmen, did not see too likely prospects for permanent attachment.

New Utility Union

Independent organizations
in 12 power companies join
forces. Attitude toward A.F.L.
and C.I.O. is both yes and no.

Independent unions in the electric power industry are attempting to broaden their base of operation by combining into a national congress—without relinquishing their autonomy.

The first step in the process was taken a fortnight ago when delegates from nine unions active in 12 electric utility systems met in Cincinnati, roughed out a constitution and named themselves the United Utilities Union of America.

How extensive the movement may be

seems to depend on the size of the following the nine unions are able to attract between now and October, when another meeting is scheduled in Chicago to polish up the constitution and decide on an inaugural convention. For the time being, two Pittsburgh men have been chosen to head the organization, both officers of the Independent Association of Duquesne Light Co. Employees, George L. Mueller and James I. Carmack.

• **Mixed Motives**—Although one of the announced objectives of the amalgamation is to block encroachment by the C.I.O. and A.F.L.—which have not been too successful in the electric power field, anyway—the independent unions declare they are not opposed to the big national labor organizations as such. It is their expressed belief that an association of existing independent unions, by an exchange of members, can do much to alleviate jurisdictional headaches.

Companies whose employees were represented at the Cincinnati conference were Consolidated Edison (New York), Duquesne Light (Pittsburgh), Cincinnati Gas & Electric (Cincinnati), Indianapolis Power & Light (Indianapolis), Indiana — Michigan Electric (South Bend), Nebraska Power & Light (Omaha), Boston Edison (Boston), Indiana General Service Co. (Marion, Ind.), Union Electric of Missouri (St. Louis), Iowa Union Electric (St. Louis), Mississippi River Power (St. Louis), and Union Electric of Illinois (East St. Louis).



Trainload shipments of the new welded M-4 or General Lee tanks which began streaming out of the Fisher Body Division plant early in July were suddenly interrupted by a

strike arising from a jurisdictional dispute for employee bargaining control between C.I.O. and A.F.L. segments of the United Automobile Workers Union.

Coming Back?

A.F.L. segment of United Automobile Workers Union tackles giant C.I.O. affiliate at Fisher Body tank plant.

From small offices in Detroit's modest Hotel Eddystone, the A.F.L. segment of the United Automobile Workers Union is trying a new comeback against its towering rival, the U.A.W. affiliated with the C.I.O.

The focal point of the latest drive is the new suburban Flint tank plant of Fisher Body. This plant was tied up late in July by a week-long strike, ostensibly over a no-smoking rule, more definitely earmarked as a jurisdictional battle for bargaining control.

● **Joint Committee Set Up**—The interim agreement which ended the seven-day tieup did not mention settlement of specific grievances. A no-smoking rule, violation of which brought three-day suspensions to 40 workers and started the walkout, evidently continued in effect. A temporary grievance machinery was set up, under which complaints will be handled by the management and a committee of both U.A.W.-A.F.L. and U.A.W.-C.I.O. adherents.

The A.F.L. wing of the U.A.W. came into being after then-president Homer Martin suspended 15 opposition board members of the union on Jan. 20, 1939. Martin subsequently led his followers into divorce from the C.I.O. and marriage with the A.F.L. A series of jurisdictional strikes and National Labor Relations Board elections followed, with the C.I.O. on top in most of them.

● **Strength Uncertain**—Today, in the face of the continued C.I.O. pressure, the U.A.W.-A.F.L. says little about its position. Indications are, however, that it has at least a score of locals and upwards of 10,000 dues-paying members. Among its current bargaining contracts are two with General Motors, one at the good-sized New Departure Division plant at Meriden, Conn., and one at a small factory now operated by Olds at Kansas City.

The A.F.L. wing has always had a fair minority strength in Flint, although it holds no contracts there.

NLRB'S HOUE CASE

History, repeating, has thrust Houde Engineering Division (Buffalo subsidiary of Houdaille-Hershey Corp.) into the national labor spotlight again.

Chapter One was written in 1934, when NRA's labor board, forerunner of the National Labor Relations Board, found that Houde had violated the National Industrial Recovery Act by dealing with the Houde Welfare and Ath-

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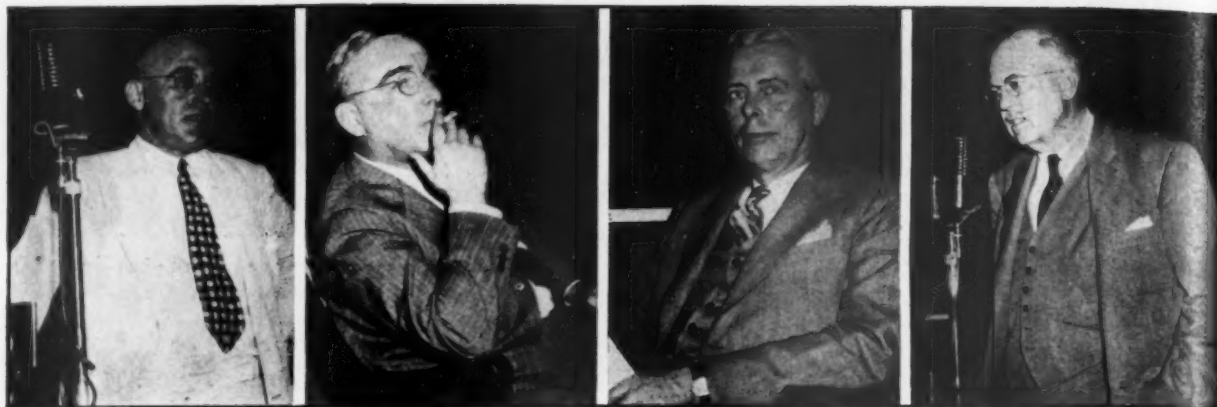
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Abnormally high wage scales of war industries on cost-plus-fee bases are responsible for labor shortage at Western mines according to mining men before a subcommittee of the

Senate in Reno, Denver, and Salt Lake last week. Testifying before the subcommittee were (left to right) Harry L. Tedrow, president Alma Mines Co., Alma, Colo.; C. L. Brad-

bury, president New Mexico Miners and Prospectors Assn.; Dr. Wilbur Nelson, Mining Division of WPB; Dr. Merrill Shoup, Golden Cycle Mine, Colorado Springs, Colo.

letic Assn. instead of A.F.L., which had won an election. The company refused to give up its Blue Eagle. A.F.L., discouraged, left the scene.

Chapter Two, written a few days ago, involved the same company organization, with a local of U.A.W.-C.I.O. as complainant. NLRB, finding that the company dominated H.W. and A.A., issued a cease-and-desist order. The board rejected the company's contention that NLRB was estopped because it had knowledge of the practices complained of before ordering an election last fall.

Alcoa's Headache

Jurisdictional strife growing in Cleveland plant as Lewis enters picture and three C.I.O. unions battle for control.

Plagued for more than a year by intermittent slow-downs and sit-downs (BW—June 27 '42, p. 70), the Aluminum Co. of America's Cleveland works this week had a new summer complaint in the form of jurisdictional strife between three C.I.O. unions, a brewing battle that involved Phil Murray and his no-longer friend, John L. Lewis.

• **Murray's Stand Uncertain**—The position of C.I.O. President Murray was not exactly clear, but it began to look as if he had decided to sponsor the transfer of Alcoa's present C.I.O. union back into the Aluminum Workers of America. The Alcoa union now belongs to the Die Casting Workers, strictly speaking, although a merger with the C.I.O. Mine, Mill and Smelter Workers is on the slate, and needs only formal ratifica-

tion. Alcoa workers already consider themselves members of the M.M.S.W.

The forthright Lewis left nobody in doubt of his intentions. He sent a sound truck and trusted henchmen to Cleveland to dramatize an invitation that the men of Alcoa join the catch-all District 50, United Mine Workers.

With Murray invisible in the background, the Aluminum Workers Union took the field under N. A. Zonarich, its president, who shuttled between Cleveland and Washington. Zonarich issued a statement saying the alternative to joining up with A.W.A. was invasion of the plant by some other union, perhaps the A.F.L. or Lewis' District 50.

• **U.M.W. Drive On**—Mine Worker field captains included Maurice Dineen, state regional director of U.M.W. District 50, who launched his drive with the blunt announcement that U.M.W. was coming in "with a good American union, that never has marched under the red banner of Communism." He said U.M.W. had organized steel, rubber and other industries, "and now we're going to organize Alcoa."

Target of these jibes about Communism was the C.I.O. Mine, Mill, and Smelter Workers' union—particularly its district director, Alex Balint. Balint, however, took the attacks right in stride, dismissing Zonarich as a "union failure."

• **Management Is Silent**—As for the Alcoa management, it silently hoped something might happen to toss Balint and his associate, Edward T. Cheyfitz, out of the union saddle. Alcoa officials blame the Cheyfitz-Balint combination for what they term a chronic attitude of "less work, more money," among their rank and file. The management feels this attitude is responsible for making Cleveland furnaces' output, per man, inferior to other Alcoa plants.

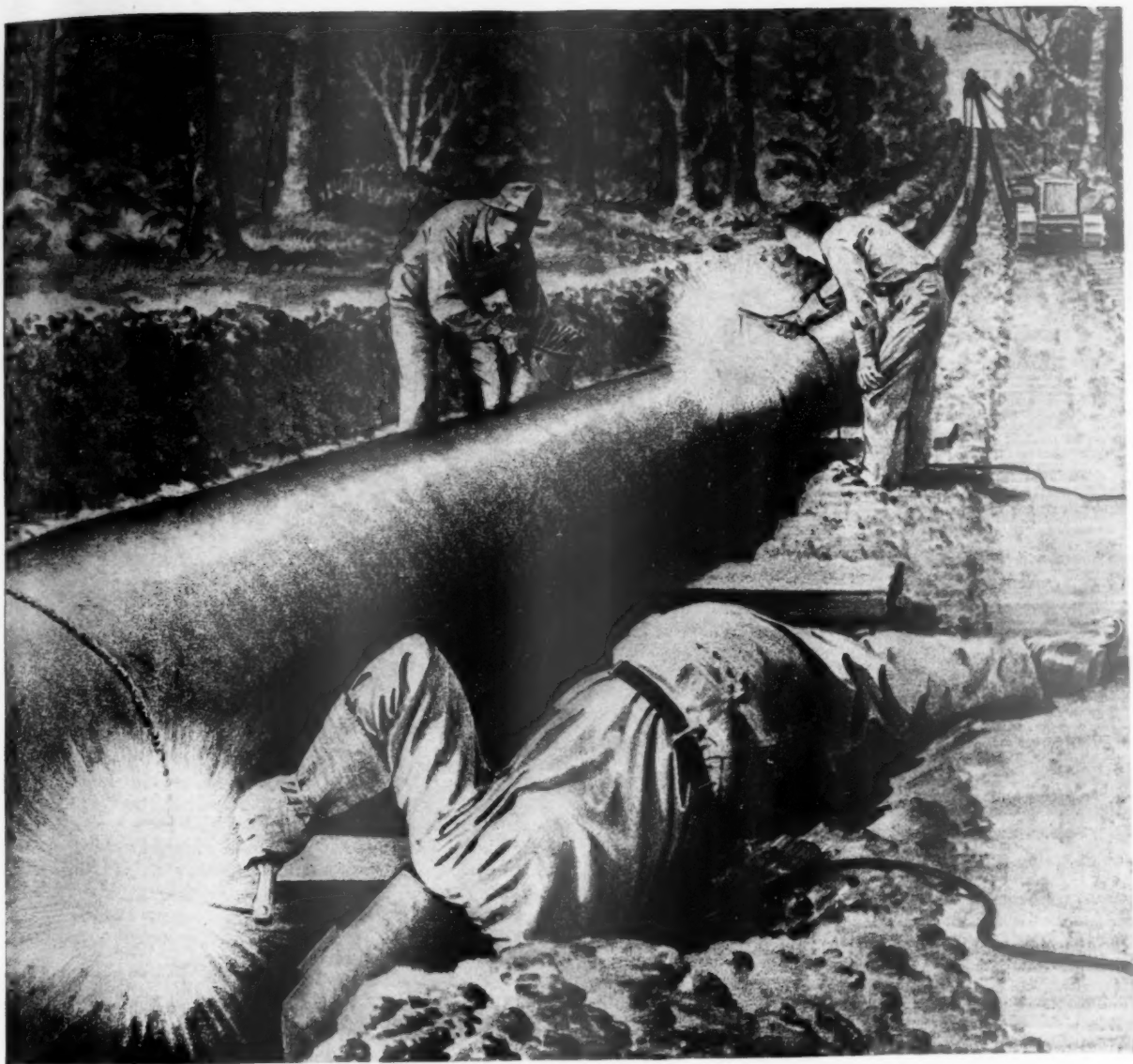
Wanted: Miners

Wage bids, which mine operators say they can't meet because of price ceilings, may force reductions in vital output.

Critical labor shortages, threatening to reduce output now confront domestic metal mines. At the same time, a number of war plants are operating at less than capacity because of a lack of metal raw materials, so pressing that Robert Nathan, chief of the WPB Planning Board, has advocated the tearing down of some unfinished war plants in order to salvage their metal content.

• **Senators Hear Complaints**—The mine labor situation was highlighted in a series of meetings with mine operators held last week at Reno, Salt Lake City, and Denver, by Senators McCarran of Nevada and Murdock of Utah. Although the meetings were scheduled principally to consider such burdens as tax legislation, complaints of labor shortages, caused primarily by the wage competition set up by war plants and construction operations, were heard on all sides.

They were voiced by copper producers from Arizona, the leading state; from Utah, with the gigantic open pit at Bingham; from Montana, with its the "richest hill on earth," at Butte; and from Nevada and New Mexico. Zinc-lead producers from the Tri-State district of Oklahoma, Kansas and Missouri; from Idaho, with the Coeur d'Alene camp; and from Utah, Nevada, and New Mexico stated their case. And producers of the strategic metals—



WELDING A 550-MILE LIFE-LINE

HOPES that East Coast residents will receive sufficient fuel oil for next winter's needs were made brighter by the announcement that the War Emergency Pipe Lines, Inc., begins construction this month on the 550 mile line from Longview, Texas to Salem, Illinois. The job will be completed in record time — it is expected that this, the world's largest capacity pipe line, will be in operation by early December. 24" in diameter and, of all welded construction, it will transport about 300,000 barrels of crude per day.

This record feat will be made possible by modern construction methods, prominent among which are the electric arc and the oxyacetylene welding

and cutting processes. Today these same processes are helping make possible the amazing production schedules which will turn the battle tide in favor of the Allies.

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LET'S STOP LAYOFFS!!

In urging miners to do their best for the war effort, poster art at Koppers leans more toward the sentimental side (right) than it did in 1917 (left).

tungsten, molybdenum, chromite, manganese, mercury, and antimony—from every state west of the Great Plains except Wyoming chimed in with the chorus. All are feeling the pinch of wage competition which they complain they cannot meet because of price ceilings.

• **From All Quarters**—Competition for labor comes from the shipyards and airplane plants of the Pacific Coast and from defense plant construction. Even the highway to Alaska claims its share. Mine operators contend that competition is augmented by the cost-plus basis upon which the government lets many of its construction jobs.

Their predicament was epitomized in the statement made before the Senate subcommittee by Gov. Herbert B. Maw of Utah, who said, "We have a situation now where the man who has heretofore worked underground as a miner can earn twice as much and more in a defense industry."

• **NWLB Orders Raises**—Despite the plight of the industry, there have been a few scattered wage boosts, such as those recently ordered by the National War Labor Board at the Arizona properties of Phelps-Dodge and the Chino mine of Kennecott Copper, but these did not in any sense of the word raise wage levels throughout the industry.

The Kennecott boost applied only to certain craft workers, and the Phelps-Dodge boost from \$4.40 to \$4.90 per day was made in response to the demand of C.I.O. Mine, Mill, and Smelter Workers, that pay be brought into line with prevailing rates (BW—Feb. 28 '42, p5).

The extent of the mine labor shortage was illustrated by the recent appearance in a Denver paper, side by side, of help-wanted ads seeking miners for the great molybdenum property at Climax, Colo.,

and the iron mines near Lake Champlain in far off New York State.

• **Easing Draft Onus**—In common with all other industries, the mines have suffered some depletion of their labor supply by the draft. However, up to date this effect has not been serious as the local draft boards have usually understood the importance of the mines in the war economy. Selective Service took the precaution of including metal mines producing war metals in recent list of essential industries (BW—Jul. 25 '42, p18). Now in process of formulation is a list of "critical occupations" in mining, for the guidance of local draft boards.

• **Premium Prices No Help**—Although prices paid by Metals Reserve Co. have been helpful to producers of strategic metals, the premium price plan for increases in production of copper, zinc, and lead has been of little aid to most operators, for it has been operated primarily to meet the extra costs of mining sub-marginal grade ores. Also, the large mining corporations, producing the bulk of the nation's output, have been denied effective participation in premium prices by the establishment of inflated normal-price quotas which they are unable to exceed.

The premium price plan, a pet idea of OPA, is an arrangement whereby mine operators producing copper, zinc, or lead concentrates, receive premiums of 5¢ per lb. for the copper recovered from their products, and 2½¢ for zinc and lead. Premiums are paid, above the market price, for production in excess of quotas, most quotas being based on 1941 monthly average output for each mining property. This plan was made effective Feb. 1, 1942, and is designed to operate for 2½ years from that date.

• **No Easy Out**—No early solution is in sight for the mining labor situation

which stands as a fundamental deterrent to the war production program. The forcing of men back from shipyards, airplane plants and war construction into less lucrative employment seems remote indeed. Even more remote is the likelihood that the suggestion of Senator McCarran, made at Reno during the recent hearings, will be accepted: to put the Army to work in the mines.

U.S. Rubber Case

Board praises company but heeds union's plea that m. of m. is needed as protection against perils of wartime economy.

Latest development in the evolution of union maintenance of membership under National War Labor Board sponsorship is the board's order that United States Rubber Co. include m. of m. with a 15-day escape clause (BW—Jun. 20'42,p68) in its contract with the C.I.O. United Rubber Workers.

• **Board's Reason**—Significance of the order lies in the fact that the board definitely made clear that it was not granting m. of m. to protect the union against the company, but to save the union from being weakened by wartime conditions beyond its control.

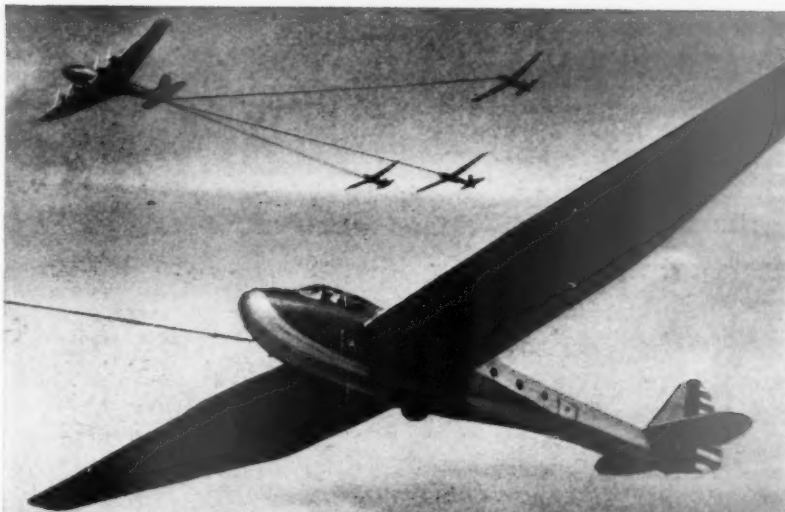
NWLB's 6-3 decision, made with the employer members dissenting, affects 21,500 workers in eight U. S. Rubber plants. At Mishawaka and Indianapolis, according to the board, the union already has a virtual union shop as a result of an unwritten understanding with management; in four other plants, the company "talks" to union members delinquent in their dues.

• **Cooperation**—Making no reservation in its evaluation of the company's attitude toward the union, the board said: "This is emphatically not a case in which the union needs protection against the employer."

Despite this, the public and labor members of the board explained, merit was found in the union's plea that union security was needed against certain factors inherent in the war economy.

• **Union's Fears**—The union set forth that wage losses suffered by workers as a result of conversion to war work might prompt men to drop out of the union "in disgust." It said that this situation might become more serious, inasmuch as the question of upward revision of wages, which has been submitted to a three-man fact-finding commission for study, cannot be settled for some time.

• **Dissent**—The employer minority of the Board took the view that "the locals need no more security than they now enjoy, which seems to be firmly established under present relationship with the company."



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FINANCE

Taxes Cut Net

Corporation earnings rise rapidly, but with tax reserves rising faster, funds available for dividends decline.

Corporate earnings climbed rapidly during the first half of this year, but taxes outstripped them. A sample of income statements now available shows that in the majority of manufacturing and distributing companies income before taxes came out well ahead of 1941. In almost all of them, however, reserves

for taxes swallowed up more than the amount of the increase. The result was a general shrinkage in net earnings.

• **Taxes Exceed Earnings**—This drop in income available for dividends is the most striking feature of any comparison of the reports (see table). For many corporations the half year just ended marks a turning point in their earnings record. During 1941 most of them managed to increase their net in spite of heavy taxes and rising costs (BW—Feb. 14'42, p82). But unless the trend reverses itself abruptly, 1942 income will fall short of last year. Significantly, in all except three of the 40 companies sampled, the allowance for taxes exceeded the net income available for

dividends. General Electric, for example, reports a net income of \$20,681,000 for the past six months. This compares with \$26,004,000 in the same period of 1941. Provision for taxes was \$77,000,000 this year, but only \$42,000,000 in the first half of 1941.

U. S. Steel's eagerly awaited report showed a net of only \$33,867,000 in the half year just ended. In the same period of 1941, it rang up earnings of \$61,375,000. Big Steel earmarked \$117,000,000 for taxes in the past two quarters, nearly three times the \$44,600,000 it charged off to taxes in the first half of 1941.

• **G.M. Suffers**—For General Motors, long known as the world's most profitable corporation, the situation was even worse. Not only was its net income lower than in any six months since the 1938 slump, but sales and income before taxes also dropped sharply. Because of the reduction in income, taxes also went down.

Now completely converted to war production, G.M. evidently finds the profit margin on munitions too small to give it an income comparable to what it earned on the automobile business in prosperous years. For the first six months of 1942, it reported net income of \$47,892,000, taxes of \$60,720,000. For the same period last year, it earned \$118,227,000 net income, paid \$168,360,000 in taxes.

• **Some Exceptions**—Percentagewise, the income shrinkage varied widely from company to company. A few corporations even managed to increase their net in spite of soaring tax allowances. Most of these were firms which have had a lean time of it in recent years and have just begun to make a comeback. Such companies still have a fair amount of ground to recover before the excess profits tax clamps down on them.

Typical of this class is Pittsburgh Coal Co. which turned in a net of \$1,261,000 for the half year, 66% above 1941. Pittsburgh charged off only \$871,000 to tax reserves, which compares with \$226,000 in the same period last year.

• **Some Deficits**—In a few cases, former big income producers came out with a net deficit for the half year. Uneasy stockholders are afraid this list will grow rapidly as rising costs and curtailed production squeeze profit margins in consumer goods industries. Atlantic Refining showed a deficit of \$1,577,000 for the first six months of the year. In 1941, it made a net profit of \$5,062,000 in the same period.

The poor showing this year resulted almost entirely from disruption of gasoline distribution on the East Coast, Atlantic's big market.

Deficits such as this demonstrate that taxes were not the only thing that took a bite out of profits. Material shortages, wage increases and rising material costs

Profits Dip as Taxes Rise in First Half of 1942

Corporation income statements for the six months ended June 30, 1942, show a general decline in net profits in comparison with the same period of last year. Increased allowance for federal taxes more than offset rises in earnings before taxes.

Company	1942		1941	
	Net Profits After Taxes	Taxes	Net Profits After Taxes	Taxes
Air Reduction.....	\$1,323,000	\$5,147,000	\$1,748,000	\$3,529,000
Alan Wood Steel.....	389,000	981,000	532,000	755,000
Allegheny-Ludlum.....	2,537,000	7,325,000	4,169,000	3,213,000
American Banknote.....	489,000	1,495,000	594,000	578,000
American Brake Shoe.....	1,248,000	3,200,000	1,479,000	1,500,000
American Chicle.....	1,349,000	1,706,000	1,805,000	1,211,000
American Rolling Mill..	3,334,000	7,131,000	6,668,000	4,902,000
Anaconda Wire & Cable..	865,000	6,589,000	1,411,000	1,955,000
Atlas Powder.....	667,000	2,810,000	938,000	2,221,000
Beech-Nut Packing.....	1,276,000	2,356,000	1,561,000	1,001,000
Bower Roller Bearing....	409,000	901,000	657,000	804,000
E. G. Budd Mfg.....	1,196,000	7,652,000	1,307,000	2,594,000
Congoleum-Nairn.....	770,000	1,420,000	1,171,000	900,000
Cutler Hammer.....	553,000	4,487,000	939,000	1,033,000
Doehler Die Casting....	434,000	2,564,000	699,000	1,023,000
Du Pont.....	25,953,000	63,320,000	43,762,000	46,920,000
General Electric.....	20,681,000	77,000,000	26,004,000	42,000,000
General Motors.....	47,892,000	60,720,000	118,227,000	168,360,000
General Steel Castings..	1,046,000	7,440,000	1,691,000	784,000
Industrial Rayon.....	771,000	2,986,000	1,533,000	1,220,000
Johns-Manville.....	1,799,000	9,039,000	3,019,000	5,356,000
Jones & Laughlin.....	4,930,000	11,800,000	8,098,000	5,414,000
R. G. Le Tourneau.....	1,087,000	3,945,000	1,614,000	1,327,000
Lone Star Cement.....	1,382,000	2,847,000	1,934,000	1,449,000
Mathieson Alkali.....	556,000	925,000	997,000	450,000
National Acme.....	948,000	7,678,000	1,572,000	2,527,000
National Cash Register..	1,571,000	6,908,000	1,325,000	660,000
Otis Elevator.....	1,576,000	3,100,000	1,490,000	775,000
Penick & Ford.....	619,000	2,082,000	719,000	442,000
Pepsi-Cola.....	2,611,000	7,135,000	2,756,000	6,385,000
Pittsburgh Coal.....	1,261,000	871,000	760,000	226,000
Pittsburgh Screw & Bolt..	398,000	2,254,000	593,000	977,000
Sharon Steel.....	637,000	1,550,000	813,000	1,300,000
Shell Union Oil.....	7,229,000	4,308,000	7,830,000	2,886,000
Simmons Co.....	1,871,000	3,200,000	1,262,000	1,675,000
Standard Brands.....	2,865,000	3,874,000	4,309,000	3,067,000
Studebaker.....	903,000	675,000	1,314,000	717,000
Underwood-Elliott-Fisher.	637,000	4,296,000	1,617,000	950,000
U. S. Pipe & Foundry....	1,204,000	2,635,000	1,817,000	1,360,000
U. S. Steel.....	33,867,000	117,000,000	61,375,000	44,600,000
Wm. Wrigley.....	2,969,000	3,161,000	4,439,000	2,916,000

did their part to whittle down the operating income of most companies. Price freezing caught many sellers at levels that left only a slim margin over costs. Restrictions on civilian output and the necessity for all-out conversion to war goods, as in the automobile industry, pushed some producers below the level of profitable production. In physical volume, these industries are already far beyond peacetime records, but profit per unit is not large enough to keep income up to the old levels.

• **Postwar Planning**—Another big drain on income this year is the reserves that corporations are setting up to provide for contingencies and postwar readjustment. Policies vary widely, but almost every company is salting away a little change for emergencies. Some are worried about inflated inventories and have provided reserves to protect them against a price drop. Others anticipate painful readjustments when they go back to civilian production.

All are determined not to be caught at the end of the boom without carefare home.

G.M., for instance, tucked away a total of \$33,240,000 in reserves of one sort or another during the past six months. Of this, \$8,792,000 is earmarked for "postwar contingencies and rehabilitation," and \$10,000,000 for "possible additional losses incident to cessation of commercial operations." Another \$14,448,000 is held in reserve for "retroactive price and other adjustments which may arise in connection with renegotiation of war material contracts."

To the extent that these emergency reserves have to be used, they are legitimate charges against current income. It is probable, however, that many executives have left a comfortable margin of safety. Where this is the case, the income picture is brighter than it looks at the moment.

• **Tax Reserves Multiply**—Almost all companies have set aside tax reserves at least twice the amount allocated to the first half of 1941. (G.M. and a few others converted to war production are the notable exceptions.) Some, such as General Steel Castings are preparing to pay nearly ten times the taxes assessed them last year. In still other cases tax reserves ran to three or four times the amount left for stockholders.

For example, General Electric put aside \$77,000,000 for the tax collector, leaving \$20,681,000 for shareholders. Johns Manville estimated taxes at \$9,039,000, net income at \$1,799,000. Underwood Elliott Fisher showed \$4,296,000 for taxes, \$637,000 left for dividends.

• **Still Tentative**—Earnings estimates for the first half year are always tentative, because overhead is not allocated precisely until the end of the year. Current estimates contain more uncertainty than six months figures usually do.

Divided Dealers

Rift in N. A. S. D. widens as minimum capital requirements are adopted. Minority planning to carry fight to the SEC.

Opponents of the minimum capital requirements which have just been adopted by the National Assn. of Securities Dealers have no intention of throwing in the towel yet. Minority leaders are already organizing a protest to the Securities and Exchange Commission.

That means there will be plenty of hot argument before the new rules become official.

• **Month-Old Fight**—Shooting started in the over-the-counter market a month ago when N.A.S.D. governors submitted a set of new amendments to the membership for approval (BW—Jun. 27 '42, p89). Center of controversy was the proposal to require a minimum capital of \$5,000 for dealers who do their own clearing, \$2,500 for those who clear through others.

The board of governors believes the new rules are necessary to protect investors from dealers who work on a margin too slim for safety. The opposi-



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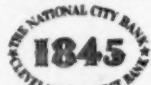


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THE MARKETS

With stock prices shuffling around uneasily, Wall Street kept itself entertained this week by speculating about the next government bond offering. Traders are counting on the Treasury to begin August operations by opening up its 2 1/2% "tap" issue. Recent hints from Washington make them think there will also be another big offering later in the month.

Market opinion splits on the question of how much the tap issue will raise. Since commercial banks are specifically ruled out as purchasers, insurance companies and institutional investors will be principal buyers.

• **Too Soon Again?**—In its first trial last spring the tap issue brought a total of \$882,000,000 in the ten days that books were kept open. Some dealers think the second offering will go even better now that investors are used to the idea. Others say the tap issue market hasn't had time to rest up since its last workout.

Regardless of how the issue goes, the Treasury will probably follow it with an orthodox offering. Almost certainly this will be a "bank bond"—which means a maturity of less than ten years and a rate of not more than 2%.

Banks have just finished tidying up after the flotation of \$2,000,000,000 worth of 2's early in July. A big August offering would be a heavy load for them, and it would bear down particularly hard on the New York and Chicago banks, which are already getting nervous about their reserve positions.

• **Can Cut New York, Chicago**—Under recent legislation the Federal Reserve Board has authority to cut reserve requirements in New York and Chicago without lowering them in other districts (BW—Jun. 13'42, p91). Metropoli-

tan bankers think life will be a good deal simpler if the Board loosens up their requirements before the next big bond offering.

Both bankers and Federal Reserve authorities are sure that sooner or later New York and Chicago must have relief, but the Board is in no hurry about it. Ever since 1937 it has been worrying over the volume of excess reserves and the problems they raise for monetary control. Now that excess reserves are getting down to a manageable level, it has no intention of letting them get out of hand again.

• **May Have to Be General**—From the Board's viewpoint, reducing requirements in New York and Chicago is no answer to the problem. Continuing drains would soon transfer excess reserves from central reserve cities to interior banks.

Reserve officials won't let the situation get really critical. They don't dare risk a break in interest rates when the Treasury is borrowing \$4,000,000,000 or so a month. A little tension won't bother them, however, and they will probably wait until the last minute before they cut requirements.

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial ...	87.5	89.2	84.2	103.3
Railroad ...	26.3	26.1	24.4	30.7
Utility ...	30.5	30.9	30.3	46.6
Bonds				
Industrial ...	108.5	108.8	107.2	105.0
Railroad ...	84.5	83.8	83.6	87.7
Utility ...	104.4	104.2	104.6	107.2
U. S. Govt. ...	110.7	110.8	110.8	112.1

Data: Standard & Poor's Corp. except for government bonds which are from the Federal Reserve Bank of New York.

COMMON STOCKS — A WEEKLY RECORD



Data: Standard & Poor's Corp.

© BUSINESS WEEK

tion hotly contends that minimum capital requirements are impractical.

• **Vote Is 1,200 to 700**—In the balloting, minimum capital amendments got about 1,200 approving votes. Approximately 700 members voted against them. About 700 others didn't vote.

Opponents were quick to point out that the 1,200 affirmative votes were less than a majority of total membership. Even bigger was the howl they raised over the fact that voters were required to sign their ballots. Many members, they insist, feared reprisals.

Both of these points will surely be paraded for inspection when SEC hears the appeal. SEC can veto any changes in the association's constitution or by-laws. If the minority can win its case there, the controversial amendments will never get on the books.

• **Those Who Protest**—Between 10% and 15% of N.A.S.D. membership now works on less than \$2,500 capital. Naturally these dealers are holding out against minimum capital requirements.

Many leaders of the minority, however, are large operators whose capital stands far above the minimum. Governors of the New York Securities Dealers Assn., which includes some of the biggest firms in the country, have already adopted a motion calling for appeal to SEC. A poll of members is not yet completed, but returns indicate that New York dealers line up pretty solidly against the new amendments.

COMMODITIES

Up-a-Daisy Dairies

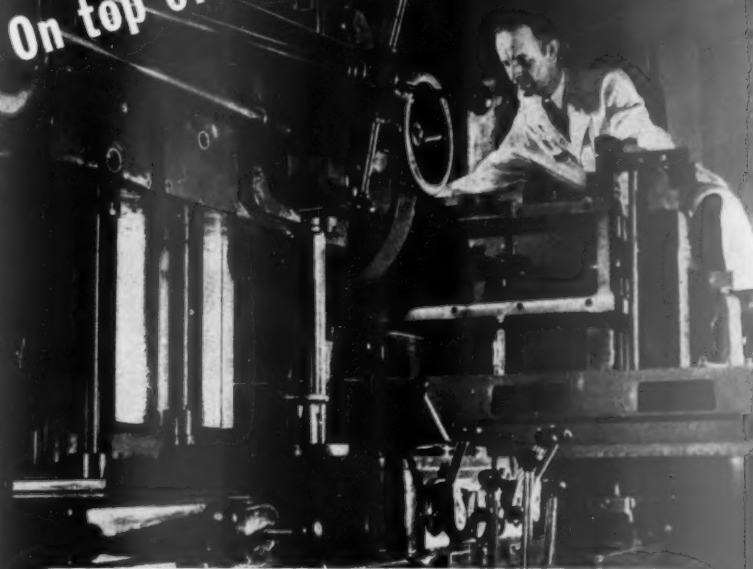
Response to D. of A. plea for cheese and evaporated milk forces shift in emphasis to butter and powdered milk.

Sometimes the Department of Agriculture hardly knows its own strength. A year ago, it asked for all possible increase in cheesemaking by the dairy states so that the Agricultural Marketing Administration might have plenty to ship for lend-lease (BW—Oct. 18 '41, p33). This spring it found itself with a cheese surplus on hand.

And when, last year, the D. of A. called on evaporators to turn out all the evaporated milk for lend-lease that they could, it wound up with a 25,000,000-case stock which may be a nice backlog for emergencies, but which could also be considered a deadweight oversupply, since the British aren't as interested as they were.

• **Emphasis Shifted**—In both cheese and evaporated milk, the huge produc-

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tions that were stirred up made it expe-
dient to change emphasis from cheese to
no cheese, and from evaporated milk to
powdered milk. Now the D. of A. is
shifting ground again. Last week the
buying price for butter was lifted 3¢ a
pound, and butter, which has been sabo-
taged by the premiums put on products
competing for milk supplies, is back as a
favorite.

Production of butter has been run-
ning much lower than might have been
expected, considering the lush pastures
of the last two years.

• **Price Adjustments**—Minor adjust-
ments were made in AMA buying prices
on four other dairy products; evaporated
milk (down), cheese (slightly up), spray
process powdered skim milk (up), and
roller process powder (down).

For a change, AMA shifts in direction
upset more than the bewildered dairy
farmers and processors. This time Price
Administrator Leon Henderson and the
OPA were indignant about the jump in
butter to the point of claiming that it
was a breach of general price control.

• **Cheese Stocks Soar**—Measure of the
D. of A.'s unsuspected strength is very
clear in cheese. When AMA prices were
set high enough to stimulate increased
cheese production, creameries turned
from butter-making to cheese-making
(the cheese industry warned Secretary
Wickard that there was trouble in the
move) and on July 1, 1942, supplies of
American cheddar (common trap and
pic cheese) hit a new all-time high for
the fourth month in succession.

Total stocks were 228,399,000 lb.,
equal to 1 1/4 lb. per person in this coun-
try, or four months' supply at the 1941
rate of consumption.

• **Overshooting the Goal**—Where pro-
duction was 784,000,000 lb. in 1940,
price stimulus and D. of A. encourage-
ment which came along with the lend-
lease program drove cheddar cheese up
to 917,000,000 lb. in 1941 and in the
first five months of 1942 production was
running at a rate of above 1,000,000,000
lb. for the year, although Secretary
Wickard had long since established the
year's goal at only 900,000,000 lb.

One unhappy facet of the cheese
boom was that new cheese makers
turned out Grade 2 cheese, which for a
while was absorbed by AMA while it
was still eager. But, as cheese began to
cram Wisconsin warehouses, the AMA
took less interest in cheese below No. 1
grade, and finally established an export
grade of 2A which compromised the
problem by removing some of the better
No. 2 grade.

• **Play by Play**—The dénouement of
the cheese drama is now approaching.
Last week, Wickard took pains to point
out that an ever-normal cheesery is a
good thing. Last month, he was on the
radio urging Americans to double their
cheese consumption (per capita con-
sumption dropped in 1941 to 5.69 lb.



COAL CONVERT

Convincing proof that competition
has ended, for the present between
distributors of coal and fuel oil, was
witnessed recently in New York City
when trucks began dumping coal at
the power and heating plant of the
Atlantic Refining Co.'s office build-
ing. By switching from fuel oil (which
it sells) to coal, the firm will this win-
ter release 550,000 gal. of heavy fuel
oil for war industries (page 17).

after a twelve-year climb to 5.88 lb.).
Next month, to blunt the edge of the
growing cheese pile (July 1 stocks al-
most equal AMA needs for 12 months),
the cheese industry will start spending
\$200,000 under the direction of J. Wal-
ter Thompson Co. to lift domestic con-
sumption of cheese.

Kraft, Swift, Land O'Lakes will turn
over radio time to the campaign, which
will include heavy newspaper space.

• **Butter Suffers**—When creameries
start making cheese, it inevitably means
they stop making butter, or at least
curtail butter-making. Also, when
evaporated milk is being bought by the
AMA at a production-stimulating price,
milk producers divert their deliveries
from their customary creamery to the
nearest evaporator—if it is near enough.
This also means less butter made by the
creameries. Hence butter production,
despite a sharply increased total flow of
milk, has lagged.

Creameries that kept on making but-
ter sometimes had to shut down because
butter could not carry the milk prices
that had been set by AMA cheese and
evaporated milk buying, which meant

that creameries could not get enough cream to carry on.

• **Evaporated Milk**—Pearl Harbor and the increasingly critical shipping problem turned evaporated milk production into a surplus. It also shifted milk deliveries by some farmers once again, this time to the powderers, whose product could be shipped at great economy in tonnage. Also, with cheese and evaporated milk demands slackening down, some of the milk that had been going into those products went back to the butter-makers.

But butter, which had been the dog right along, was not completely realigned in its dairy products relationships until last week when the D. of A. put the price up 3¢ and adjusted other prices so that the greatest increase in producer income would go to the farmer whose skimmed milk went into spray process powder and whose cream went into butter. On the new schedule the farmer delivering to the evaporators would show a decline in income. Cheese was given a token blessing.

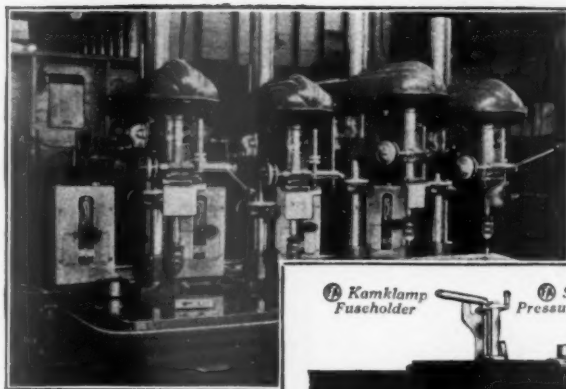
• **Explanation**—Wickard had a very righteous explanation on the butter rise. Butter consumption is high because payrolls are high, an old-time relationship, and butter is needed not only for lend-lease use, but to help ease the skimpiness of fats and oils, and also for the military. These needs demand something better in production than the 7% decrease shown this year, as against last year, despite record milk production.

Thus, since the support price of 36¢ a pound (92 score butter at Chicago) has brought the AMA very little butter, and since normal seasonal influences would raise the price about 3¢ a pound between now and December, Wickard figures on getting some butter by merely anticipating the calendar.

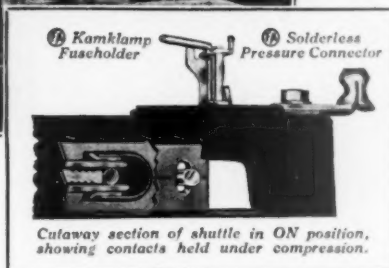
• **Lend-Lease Butter**—Lend-lease deliveries of butter have been relatively minor, but presumably will increase if shipping is available. It is not assured that we shall follow the New Zealand development of dehydrated butter for shipment to the United Nations, since butter contains only 15 or 16% of moisture.

Britain has ordered several thousand tons of the dehydrated New Zealand product, which is obtained by separation of the fats from moisture through steam jet expulsion and prompt chilling under vacuum. The product, packaged to permit small air space, may be shipped as general cargo without refrigeration.

• **Army's Butters**—Our Army, a big buyer of butter, has not yet shown a sharp interest in dehydrated butter. The Army has two butters of its own adapted to transport and field handling. One is composed of 85% creamery butter plus slightly less than 15% hydrogenated cottonseed oil flakes, plus stabilizer (lecithin, in most cases), flavor



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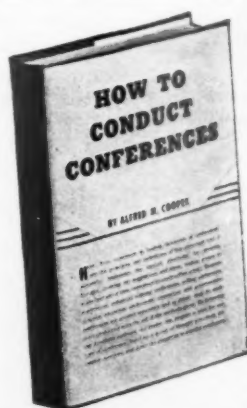


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GENERAL TIRE & RUBBER CO.....48, 49	WESTINGHOUSE ELECTRIC & MFG. CO...10
Agency—D'ARCY ADVERTISING CO., INC.	Agency—FULLER & SMITH & ROSS, INC.

and color. Another, called the Army Spread, contains 75% creamry butter, 11% cheese curd, 11% dry skim milk, flavor, stabilizer and color.

The first spread has a melting point of 110 degrees F. and the Army Spread will not melt below 130 degrees.

DEHYDRATORS' TOP RANK

Capacity of the dehydrating industry will be sharply increased if dehydrators can collect the critical metals and electric motors on which the War Production Board has now granted an AA3 rating. The materials are to be used in dehydrating an additional 84,293,000 lb. of spray process milk, 110,242,000 lb. of eggs, 66,189,000 lb. of vegetables, and 60,000,000 lb. of meat during the next 12 months.

Wherever possible the increased capacity will be allotted to producers who are now dehydrating the products slated for expansion.

Production of dry skim milk for human consumption in 1941 was 365,984,000 lb., for animal consumption 110,028,000 lb. Production of dried whole milk (for which the British are particularly eager) was 47,483,000 lb. Largely under the impact of lend-lease demands production of skim milk for human beings in the first five months of 1942 was up 58%, for animal feed down 57%, and dried whole milk, mostly for human consumption, was up 12%.

OUTLOOK FOR TIN

The British, experts in tin, are reportedly more optimistic about our government's new Texas smelter than is the War Production Board here. The Tin Producers' Assn. of London recently described the American smelter, first of its kind in this country, as starting off with an initial capacity of 25,000 tons of refined metal which would be lifted to 50,000 tons by the end of this year.

The WPB, discussing tin as the metal scrap drive opened early this month, warned that the smelter in Texas City is expected to smelt only 18,000 tons this year and that there is some question whether a substantial part of this may not turn out to be low-grade soldering tin unfit for plating. On the occasion of launching a scrap drive, however, WPB may be leaning toward the dark side.

Bulk of the world's tin production is now in Japanese hands, but Tin Producers' estimate the smaller South American and African areas will get out 85,000 tons of tin this year. WPB calculates our minimum 1942 requirements at 65,000 tons. Bolivia will provide 15,000 tons of this amount (Britain will get a little more than that), the Belgian Congo will provide about 9,000 tons and the rest, 41,000 tons, will have to be taken from our stockpile.

THE TRADING POST

Advertising in Uniform

When the war hustled American industry into uniform, some advertising men found themselves wondering just where they were going to fit in. In all fairness it should be said that their misgiving was due less to their failure to sense a need for their services than to a perfectly natural question as to what their clients might think of advertising in the face of full order-books.

I say perfectly natural because advertising too often has been sold and bought for only one purpose—to get more orders. The fact is, of course, that this is but one of the many jobs that advertising can do. There isn't space here to discuss them all. But right here I do want to point out that American industry and its advertising men very quickly found the place of advertising in the war effort. They did it by merely putting to work the basic principle that advertising has become the most obvious, most widely accepted, and most effective channel for getting ideas across to the people.

As an instrument of mass or group education it never has been equalled. It is the distinctive American channel of communication between the various individuals and groups that make up America. It is an all-pervading American institution, ready for whatever purpose the American people will.

Having recognized the basic fact, it did not take the advertising men very long to find out how they should use this incomparable weapon of modern war. And when the history of the war effort is written I am confident that advertising will have a high place among the instruments of victory.

From the advertising copy of recent weeks I pick at random several pieces that have used this habit-worn channel to get across significant war messages. They are typical of many hundreds that are doing equally effective work.

I note here a booklet issued by the Broderick & Bascom Rope Co. to observe its receipt of the Navy "E" for efficient war production. It is written in the first person from the viewpoint of an employee. It sets forth the origin and meaning of the Navy "E." Then it goes on to describe in word and picture the ceremonies of the formal award. In crisp, vivid style it interprets all this in terms of the company's war job. The narrative is published, says the company, in the hope that "it may help to promote a wider knowledge of the honor and obligations conferred by the 'E,' thus making a practical contribution to industrial and national unity."

And, as a piece of intelligent advertising, it does exactly that.

* * *

A campaign recently opened in publications by the Bridgeport Brass Co. heads its first piece of copy, "Who said we can't fight!" It is intended to refute the criticism that the American workman had gone soft with easy living. It is at once a justification and an appeal for even greater effort so that "we, and other Americans, will astonish the world with power." Here, too, an American business house puts its advertising to work at a new job—not to help it get more business, but to help its country win a war.

* * *

Here is another booklet, issued by The Reliance Electric & Engineering Co., makers of motors and generators. In a covering letter, the company's president explains its policy of telling its employees as much as possible about the jobs on which Reliance motors are used. So now, this booklet portrays in text and illustration typical employees engaged at their tasks along with stirring pictures of their handiwork in action at the battlefield. "What's this girl doing?" asks the caption of one picture. "She's helping break up a Jap air attack," replies the caption of the battle-picture. And at the foot of the page, "We are fighting the war here: delay here may mean disaster over there." Does such advertising help to win the war? I'll say it does.

* * *

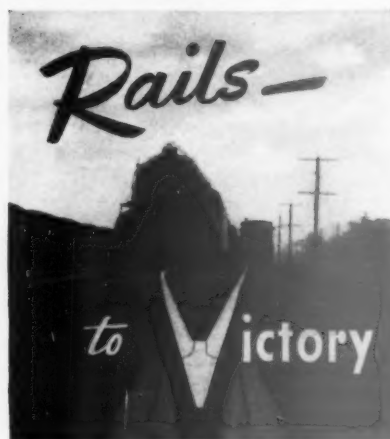
Another publication campaign is that of Warner & Swasey, makers of turret lathes. In a recent advertisement they suggest that other manufacturers arrange to have their turret-lathe operators receive copies of "Blue Chips," a monthly publication issued by the company to increase the efficiency of turret-lathe production. Here, again, is advertising in uniform.

* * *

As a final example, for my space is running out, consider the brochure issued by the Advertising Club of Springfield, Mass. It is called "S4," and is devoted to "Sweat, Speed, Skill, Service," as the essentials of victory. Dedicated by the club to what it rightfully calls "the most vital advertising campaign of the times," this impressive text-picture sermon culminates on the note, "SACRIFICE, yes. But Father in Heaven, isn't this a privilege to serve a neighborhood as fine as we know our America to be?"

Has advertising a place in the war effort? Is it filling it worthily? What do you think?

W.C.



Enemy No. 1 is having transportation troubles. He neglected his railroads. He could learn a lot from America.

He would learn what this nation knows: that mass railway transportation is vital to mass production and movement of war materials and mass movement of fighting men. He would learn that a vast network of 400,000 miles of steel rails crisscrosses and unites every part of this land. He would learn that over these rails, every hour of every day and night, is moving the greatest volume of the finest machines of war the world has ever known. He would learn something about the efficiency and coordination of the American railroads and the loyalty of their employees in performing the biggest transportation job in history.

Above all, he would learn that the power, the spirit and grim determination of America will win this war.



Norfolk and Western Railway

PRECISION TRANSPORTATION
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THE TREND

THE CASE FOR GEOPOLITICS

A few months ago, the leading article in the staid *Foreign Commerce Weekly*, official publication of the United States Department of Commerce, was entitled "America's Geo-Political Institute."

At about the same time, "America's Strategy in World Politics," a book by Prof. Nicholas J. Spykman, of Yale, made its appearance and was acclaimed as "the first comprehensive geopolitical analysis of the position of the United States in the world."

And last month another book on the same general subject created a stir far beyond the usual literary circles. It was "Geopolitics: The Struggle for Space and Power," by Robert Strausz-Hupé.

• Just what is this "geopolitics"?

In a chatty preface to his book, Dr. Strausz-Hupé writes:

"Just after the armistice had been signed, David Lloyd George said: 'We have won. But, by God, we nearly lost.' Unfortunately," continues Strausz-Hupé, "the victorious Allies, rejoicing over their success, never paused to consider why they had won. But the Germans very soon began asking themselves why they had lost. The conclusion they reached was that failure to work out a grand scheme of political strategy had been the prime cause of their defeat. They had painstakingly laid out their plans for military operations . . . but there had been no real understanding of their world political objectives."

"When planning the next war, the Germans' first thought was to elaborate a grand scheme of political strategy. This global scheme of political strategy is geopolitics."

Though Germany has unquestionably developed the study of geopolitics further than any other country, Sir Halford Mackinder, an Englishman, did more original thinking on the subject than any contemporary German.

And though the Nazis have twisted geopolitics into a kind of diabolical blueprint for world conquest which caused one official Chinese agency in this country recently to urge Americans to have nothing to do with it, a growing number of military leaders in the Allied countries are beginning to believe that it provides valuable ideas for meeting Axis strategy and probably for postwar political and strategic planning.

• Leaders in this new field declare that geopolitical research demands a thorough study of one's neighbors along three main lines: physical, economic, and human. (The Nazis have twisted this last element into a theory that the Germans comprise a master race which the people of occupied countries must serve.)

Study of the physical elements calls for thorough research into the location, size, shape, climate, vegetation, topography, and coastlines of every country.

Included in the economic research are studies of the

resources, agriculture, and industries of a country, as well as the foreign trade—what products are produced for export, what must be imported, and through what channels this trade normally flows. Included also is a study of the foreign investments of the country, and of its dependence on imported capital. Finally, the economic appraisal covers transportation systems and all forms of communication.

Knowledge of the human element in other countries is in some ways the great new factor in geopolitics. It calls for a full knowledge of race, language, religion, population makeup, the political systems in effect, and ethnography.

• A large part of Germany's success in this war is undoubtedly due to the German Army's thorough training in geopolitics. Probably every German down to the rank of petty officer who invaded Norway had visited the country during the five years before the war either as a lone tourist or on one of the many Labor Front summer cruises to the Norwegian fjords.

When the Nazis overran Holland they knew just what supplies must be carried from home and what could be picked up as they advanced to the Channel.

When the British reported a few weeks ago that the advancing Germans had quickly re-purified the Libyan wells into which the retreating English had poured fish oil, it was evidence that Germany's geo-medical and sanitation corps was on the job, just as it has reputedly been prepared to cope with the typhus which their studies had warned them they might run into in their campaign in eastern Europe.

• Despite the eye-catching title of the *Foreign Commerce Weekly* article, the United States still has no "Institute of Geo-Politics" yet, but there are powerful advocates in the country who have finally been given a hearing and official encouragement to develop a program. Recent reports on how Navy officers are being trained to govern Pacific islands when they are recaptured indicates that geopolitics has already become something more for Americans than a strange foreign-sounding name.

It is plain now that the United States is gradually taking over the leadership of this war. This demands that we define our long-term needs and objectives, tighten up all our planning organizations, and objectively coordinate all of our activities. This is applied geopolitics, and it will probably be called this before long.

Business cannot afford to overlook this new science which, borrowing from the experience of some progressive international corporations, is bound to have a tremendous influence on all business operations both now and after the war.

The Editors of Business Week

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